SBI Holdings

ANNUAL REPORT **2012**

STRATEGIC BUSINESS INNOVATOR

The SBI Group's Corporate Mission and Fundamental Business Building Concepts

The SBI Group's Management Philosophy

Sound Ethical Values

We shall undertake judgments on actions based not only on whether they conform to the law or profit the Company, but also whether they are socially equitable.

Financial Innovator

We will transcend traditional methods and bring financial innovations to the forefront of the financial industry, utilizing opportunities provided by the powerful price-cutting forces of the Internet and developing financial services that further enhance benefits for customers.

New Industry Creator

We will work to become the leader in creating and cultivating the core industries of the 21st century.

Self-Evolution

We will continue to be a company that evolves of its own volition by forming an organization that flexibly adapts to changes in the operating environment and incorporates corporate "Ingenuity" and "Self-transformation" as part of its organizational DNA.

Social Responsibility

We will ensure that each company in the SBI Group recognizes its social responsibilities as a member of society, while fulfilling the demands of its stakeholders, contributing to the betterment of society.

The SBI Group's Fundamental Business Building Concepts

Adherence to the "Customer-centric Principle"

We will continue to endeavor to increase customer value, as well as to maximize our corporate value through the utilization of synergies between customer value, shareholder value and human capital value, while always staying true to our tenet of the customer-centric principle.

Structural Differentiation

We differentiate ourselves from competitors through various structural differences that are built into our organization, as well as through the price, quality and the variety of our products and services. This strategic approach to organizational structure allows us to successfully compete and to maintain our perennial growth.

The Creation of a Network Value

We will continue to pursue the maximization of synergies, and the mutual growth of our Group companies within our "business ecosystem" of various business domains, rather than as a disconnected collection of separate businesses that are partitioned by sector.

Contents

Representative Director, President & CEO
Yoshitaka Kitao

FORWARD-LOOKING STATEMENTS

Statements contained in this report regarding the plans, projections and strategies of SBI Holdings, Inc. and its subsidiaries and affiliates that are not historical facts constitute forward-looking statements about future financial results. As such, they are based on data obtainable at the time of announcement in compliance with SBI Holdings’ management policies and certain premises that are deemed reasonable by SBI Holdings. Hence, actual results may differ, in some cases significantly, from these forward-looking statements contained herein due to changes in various factors, including but not limited to economic conditions in principal markets, service demand trends and currency exchange rate fluctuations. Further, statements contained herein should not be construed to encompass tax, legal, or financial advice, and should not be considered to be solicitations to invest in SBI Holdings, Inc., or any of the SBI Group companies.

Yoshitaka Kitao
Representative Director, President & CEO

Profile

1951: Born in Hyogo Prefecture

1974: Graduated from Keio University with Degree in Economics
Joined Nomura Securities Co., Ltd.

1978: Received Economics Degree from Cambridge University (England)

1989: Named Managing Director of Wasserstein Perella & Co. International, Limited (London)

1991: Named Director of Nomura Wasserstein Perella Co., Ltd.
(concurrent with Wasserstein Perella International position)

1992: Named General Manager of Corporate Finance & Services Dept. III, Nomura Securities Co., Ltd.

1995: Joined SOFTBANK CORP. at invitation of founder Masayoshi Son (named Executive Vice President and Chief Financial Officer)

2005: Representative Director, President & CEO of SBI Holdings, Inc.

With the establishment of a globally unique "Internet-based Financial Conglomerate," the SBI Group is accelerating its efforts to build a global business presence. The Group seeks to evolve to become the "World's SBI," as it transitions to a new organizational structure starting in fiscal year 2012.

Overview of Fiscal Year 2011

During the fiscal year ended March 31, 2012 (fiscal year 2011), the business environment remained challenging due to the effects of the Great East Japan Earthquake, the European debt crisis, and the economic slowdown in emerging countries. The domestic stock market, which significantly affects the core businesses of SBI Holdings, Inc. ("SBIH"), experienced a general downturn after being hit by a slump in economic activity in the wake of the earthquake disaster. Overseas, the effects of the global economic slowdown triggered by the deepening European debt crisis have spread to emerging countries, weighing on their once strong growth. Nevertheless, positive signs are beginning to appear, as the number of IPOs on the domestic stock market is gradually picking up while overseas a mild recovery continues in the U.S. economy.

Despite this environment, SBIH achieved an increase in revenues for the second consecutive year, with consolidated net sales up 2.8% year-on-year. Income, however, was dampened by a reversal of net deferred tax assets and liabilities that accompanied a revision of the tax system, resulting in net income for the year of ¥3,200 million, a year-on-year decline of 29.4%. However, if the revision's effect were to be excluded, net income for the year would have increased 19.9% year-on-year to approximately ¥5,400 million.

Regarding dividends, SBIH's basic policy is to target a payout ratio of 20% to 50% of its consolidated net income, on a single annual year-end dividend payout basis. However, owing to the aforementioned impact of the tax revision on consolidated net income for fiscal year 2011, and taking that amount into consideration, we set a dividend for the fiscal year of ¥100 per share based on presumed net income per share of ¥247.2, up 4.7% from the previous year.

Becoming the "World's SBI"

Since its establishment in 1999, the SBI Group has adhered to its "Customer-centric Principle," which involves fully utilizing the Internet and continuing to deliver highly competitive financial services and products. Low commission rates on brokerage transactions and deposit products with high interest rates are two such examples. We believe that these factors played a key role in the high marks awarded in various customer-satisfaction surveys conducted by independent third-party evaluating institutions given to our Group companies, SBI SECURITIES, SBI Sumishin Net Bank, and SBI Insurance. The same qualities are believed to be responsible for the expansion of the SBI Group's customer base to over 13 million, as of the end of fiscal year 2011.

Currently, the SBI Group is pursuing further growth in the domestic financial services business, by positioning securities, banking, and insurance as the three core businesses in the financial services business. We are seeking even greater synergy among the core businesses, as well as between each core business and its respective supporting businesses.

Furthermore, in March 2012, we entered a new phase of the "Brilliant Cut Initiative," which was initiated in July 2010 to strengthen the profitability of the SBI Group. In addition to the profitability of the companies in each business area, we will examine the strengths of the synergies between each company and the three core businesses of the financial services business, thereby thoroughly implementing "selection and concentration."

In accordance with the commitment made on the occasion of SBIH's listing on the Hong Kong Stock Exchange in April 2011, International Financial Reporting Standards (IFRS) are being adopted from the fiscal year ending March 31, 2013. Along with this change, the opportunity was taken to reorganize the Group's organizational structure, identifying the "Asset Management Business," "Financial Services Business," and "Biotechnology-related Business" as the three core business segments. In conjunction with this move, intermediate holding companies for the Asset Management Business and the Financial Services Business were respectively established.

The SBI Group continues to aggressively pursue its overseas business expansion by building a global investment structure through partnerships with prominent local institutions, primarily in emerging countries. At the same time, we are increasing investments into overseas financial institutions with a focus on the Asian region. Furthermore, the Group is strengthening its overseas organizational structure by positioning the Hong Kong subsidiary as a strategic base abroad.

As the SBI Group transitions itself from "Japan's SBI" to the "World's SBI," we will pursue further growth as a global company. For our valued customers and investors, we will continue to adhere to our "Customer-centric Principle" as we strive to introduce more innovative services and businesses, in pursuit of the maximization of corporate value, which is the sum total of customer value, shareholder value and human capital value.

Yoshitaka Kitao
Representative Director, President & CEO

Consolidated Financial Highlights

SBI Holdings, Inc. and Consolidated Subsidiaries

Fiscal Year ("FY") ends March 31 of the following year

	Millions of Yen					Thousands of U.S. Dollars*1
Years ended March 31	2008	2009	2010	2011	**2012**	**2012**
Net sales	¥ 222,567	¥ 130,922	¥ 124,541	¥ 141,081	**¥ 145,074**	**$ 1,765,111**
Operating income	42,606	4,403	3,431	8,932	**7,575**	**92,175**
Ordinary income*2	35,687	37	1,112	3,525	**4,860**	**59,135**
Net income (loss)	4,228	(18,375)	2,350	4,534	**3,200**	**38,943**
Total assets	1,219,247	1,079,233	1,229,939	1,293,606	**1,663,814**	**20,243,511**
Total net assets	387,766	419,338	428,615	456,982	**468,579**	**5,701,168**
Net cash from (used in) operating activities	50,073	103,034	(53,134)	(742)	**(4,972)**	**(60,497)**
Net cash from (used in) investing activities	(20,610)	(1,104)	(15,563)	(16,642)	**(27,035)**	**(328,939)**
Net cash from (used in) financing activities	(9,957)	(137,514)	84,599	25,154	**29,529**	**359,286**
Cash and cash equivalents, end of year	159,007	126,312	142,581	148,786	**145,594**	**1,771,438**

*1. U.S. dollar figures are for reference only, and calculated at ¥82.19 to U.S.$1.00, the exchange rate on March 31, 2012

*2. Ordinary income represents periodic accounting profit/loss attributable to the nominal and recurring business operations of the entity. Ordinary income is calculated by adjusting operating income for gains on management of surplus funds (interest income, etc.) and the cost of raising funds (interest expense, etc.)

	Yen					U.S. Dollars*1
Net income (loss) per share	¥ 376.63	¥ (1,232.48)	¥ 140.30	¥ 236.09	**¥ 145.58**	**$ 1.77**
Book-value per share	21,438.08	21,129.47	21,424.02	19,610.64	**18,489.18**	**224.96**

	%				
Equity ratio	19.8	32.8	29.2	30.2	**24.5**
Substantive equity ratio*	30.0	52.4	46.9	48.7	**47.6**
Return on equity	1.7	(6.2)	0.7	1.2	**0.8**

* Equity ratio after eliminating the effect of asset and liability accounts specific to a securities company.

	Times				
PER (Price-earnings ratio)	63.7	—	131.5	44.3	**53.6**
PBR (Price-book-value ratio)	1.1	0.5	0.9	0.5	**0.4**

PER = FY end TSE closing price/Earnings per share

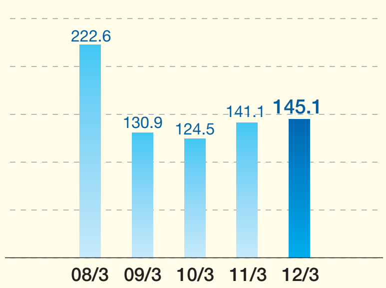
The PER for the fiscal year ended March 31, 2009 is not provided due to the recording of a net loss.

PBR = FY end TSE closing price/Book-value per share

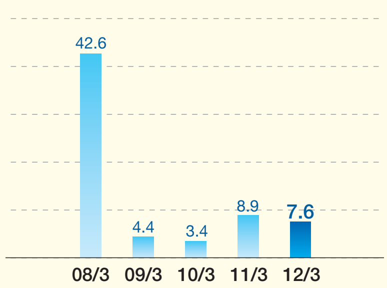
Note: The closing price for the fiscal year ended March 31, 2012 was ¥7,810.

	Number				
Employees	2,666	2,492	3,048	3,397	**3,149**

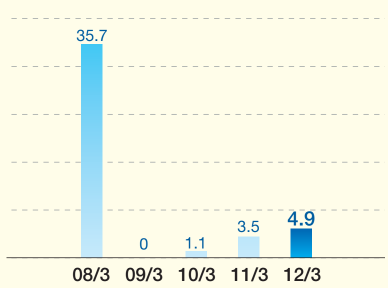
Net sales
(Billions of yen)



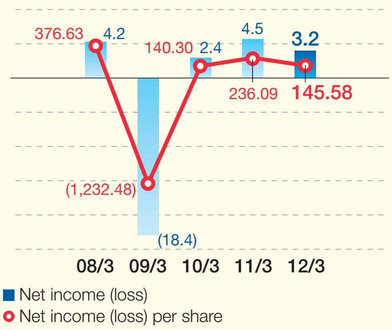
Operating income
(Billions of yen)



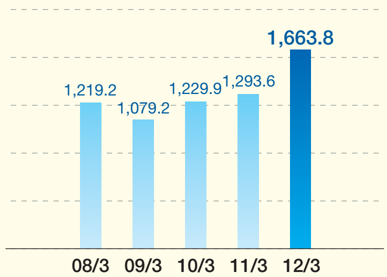
Ordinary income
(Billions of yen)



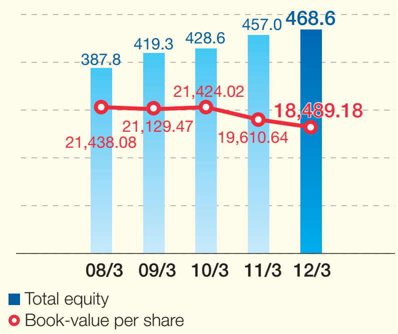
Net income (loss)/ Net income (loss) per share
(Billions of yen/Yen)



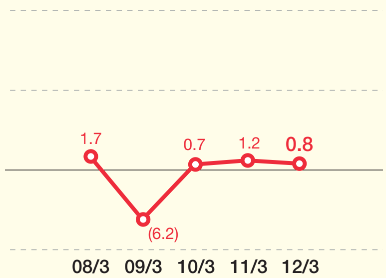
Total assets
(Billions of yen)



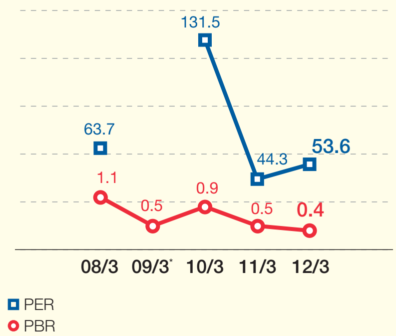
Total net assets/ Book-value per share
(Billions of yen/Yen)



Return on equity
(%)

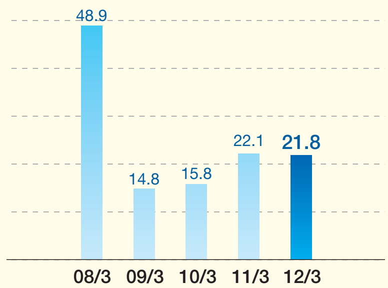


PER/PBR
(Times)



The PER for the fiscal year ended March 31, 2009 is not provided due to the recording of a net loss.

EBITDA
(Billions of yen)



EBITDA = operating income + allowance for depreciation + goodwill amortization

Q1. Please discuss the SBI Group's performance in FY2011 and its business environment.

A1. Although the business environment remained challenging, affected by factors such as the Great East Japan Earthquake, the European debt crisis, and the economic slowdown in emerging countries, we would have achieved a year-on-year increase in net income of 19.9%, if the impact of a reversal of deferred tax assets and liabilities, which followed a revision to the tax system, were to be excluded.

The outlook for Japan's economic environment remains uncertain, despite a gradual recovery after the slump in economic activity that came in the wake of the Great East Japan Earthquake of March 2011, owing to factors such as the continuing high levels of unemployment and a persistent and long-term yen appreciation trend.

The environment remains extremely difficult in the securities industry. Individual stock-brokerage trading value for the domestic stock market is down by 14.4% year-on-year to ¥110 trillion for the full year in FY2011, as a result of the impact from the Great East Japan Earthquake, the European debt crisis, and other factors. On the other hand, the number of domestic IPOs, which had been faltering, bottomed out in FY2009 and has since been improving gradually. In FY2011, the number of domestic companies undergoing IPO increased by 14 from the previous fiscal year to 37, indicating that the domestic IPO market has entered a mild recovery phase.

Overseas, the global stock markets remained weak. The effects of the European debt crisis spread to the emerging countries that had sustained high economic growth even after the Lehman Shock, and signs of a slowdown in that growth emerged. As a result, the number of companies undergoing IPO globally declined in FY2011, falling by 271 from the previous fiscal year to 1,125, for the first decline since FY2008.

In this environment, our consolidated net sales increased 2.8% year-on-year to ¥145.1 billion, operating income decreased 15.2% to ¥7.6 billion, ordinary income increased 37.8% to ¥4.9 billion, and net income decreased 29.4% to ¥3.2 billion. However, net income was affected by approximately ¥2.2 billion arising from a reversal of deferred tax assets and liabilities under the revision to the tax system, without this temporary impact, we believe we would have achieved a net income of ¥5.4 billion, for a year-on-year increase of 19.9%.

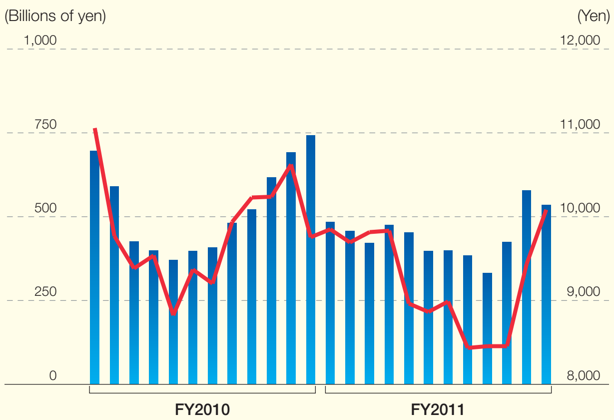
Looking at each business segment, operating income of the Asset Management Business rose 48.1% year-on-year to ¥14.2 billion, owing primarily to a capital gain posted from sales of stocks, including approximately ¥5.2 billion from a sale of shares in VSN, Inc., a portfolio company of a fund managed by SBI CAPITAL, and approximately ¥6.4 billion from the sale of shares in KLab Inc., a portfolio company of funds managed by SBI Investment. The total number of SBI Group's investee companies that accomplished IPOs or M&A deals in FY2011 was 14. Of these, there were 5 domestic IPOs, including KLab Inc., 6 overseas IPOs, 2 domestic M&As, and 1 overseas M&A, striking a good balance between domestic and overseas IPOs and M&As by investee companies. This compares to the previous fiscal year, when 16 of the 17 companies were overseas IPOs or M&A deals.

In the Brokerage & Investment Banking Business, operating income was adversely affected by the impact of the stagnation of individual stock-brokerage trading value, and declined by 41.1% year-on-year to ¥3.6 billion. However, diversification of revenue sources into investment trusts, foreign bonds, and foreign-exchange margins (FX), etc., continues to progress. In particular, with regard to FX trading, while the cumulative trading value of domestic over-the-counter FX transactions for FY2011 declined 12.7% year-on-year, the annual trading value of SBI SECURITIES was firm, climbing 27.7% year-on-year, owing to the effectiveness of our countermeasures against the tightened leverage regulations and other factors. SBI SECURITIES continues to significantly outperform other online securities firms in terms of its number of accounts and customer assets.

The Financial Services Business posted an operating loss of ¥2.6 billion. This is primarily due to an increase in operating loss of ¥3.5 billion at SBI Insurance. The contributing factors were 1) an increase in the number of automobile insurance contracts written (up 41.1% year-on-year), 2) the finalization of new purchases of reinsurance, which led to a significant increase in the provision for policy reserve, which is recognized as a cost in accounting, and 3) the termination of the outsourcing agreement. However, since the policy reserve is not an expense that is totally cashed out, SBI Insurance's cumulative operating cash flow for FY2011 was in the black by a margin of ¥1.4 billion. SBI Sumishin Net Bank, an equity-method affiliate, continues to steadily expand its customer base and performed solidly, posting an ordinary income of ¥5.8 billion, for a 58.1% increase from the previous fiscal year.

In the Housing and Real Estate Business, the operating performance of both SBI Life Living and SBI Mortgage dropped temporarily after the Great East Japan Earthquake, but later returned to a recovery trend, resulting in an operating income of ¥3.4 billion, for a 0.4% year-on-year increase.

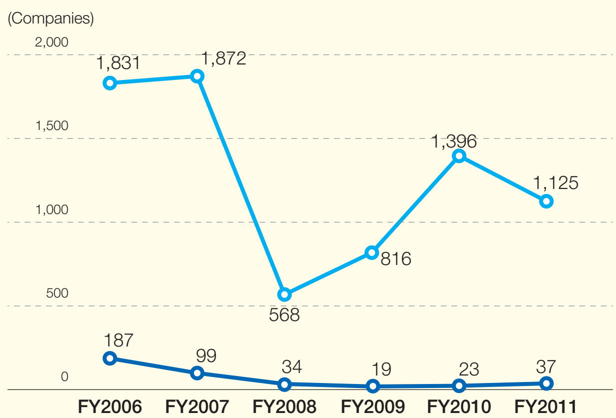
Change in Nikkei Average and Average Daily Individual Brokerage Trading Value



Daily average individual brokerage trading value (Left-side scale)
End-of-month Nikkei Average (Right-side scale)

(*the total of the 1st and 2nd section of the 3 major markets)
Source: Compiled by SBIH from information disclosed by TSE, OSE

Number of Domestic and Overseas IPO Companies



No. of IPOs in the world
No. of IPOs in Japan (all markets)

Source: Stock exchanges, E&Y "Global IPO Update"

Q2. Please tell us about the company's FY2011 financials.

A2. Our equity ratio as of March 31, 2012, was 47.6%, after eliminating the effect of asset and liability accounts specific to a securities company, as we continue to maintain a sound financial position. In addition, we are taking measures to improve the balance of long- and short-term interest-bearing debt.

In April 2011, SBI Holdings newly issued Hong Kong depositary receipts (HDRs) of our common shares and listed on the Hong Kong Stock Exchange, consequently raising approximately ¥16.2 billion to further reinforce our financial position.

We have also made efforts to improve the balance of our long- and short-term interest-bearing debt. To date, we have primarily issued short-term debt, such as one-year corporate bonds (known as "SBI Bonds") based on the Euro Medium-Term Note (MTN) Program. However, while reducing the balance of this short-term debt, we concluded a three-year, long-term commitment-line contract with a maximum limit of ¥40.0 billion with our main bank in September 2011, enabling the stable procurement of funds over the longer term. In addition, we newly issued straight bonds in January 2012 worth ¥30.0 billion with a 3 year maturity.

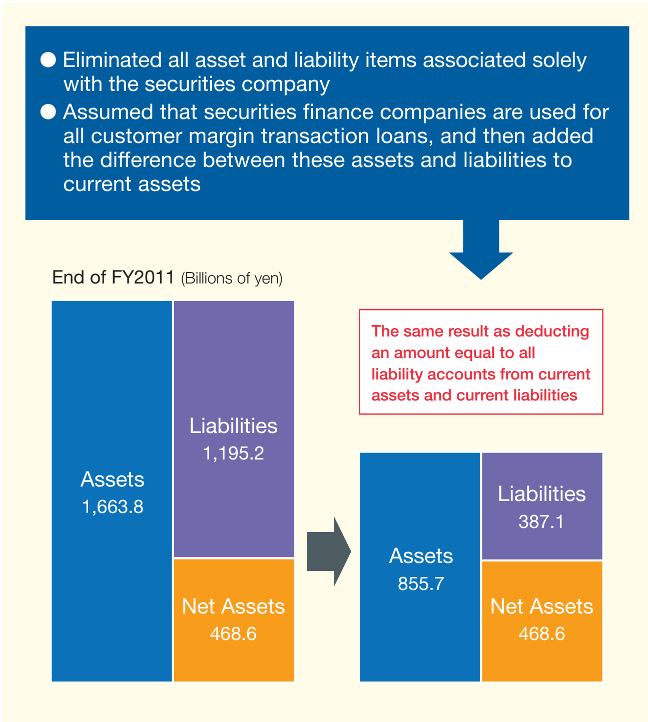
SBI Holdings' Benchmarks of Financial Soundness

Owing to our subsidiary SBI SECURITIES, our consolidated balance sheets include assets held in customer securities accounts, which inflates the actual amount. Customer securities accounts include margin transaction assets and cash segregated as deposits for current assets, along with margin transaction liabilities, guarantee deposits received, and deposits from customers for current liabilities, all of which will distort the usual measures of analyzing a company's true present underlying financial condition.

Therefore, we have deducted SBI SECURITIES' customer assets as of March 31, 2012, to calculate the financial indicators that more accurately reflect the financial soundness in our balance sheets. The result of this is a current ratio of 187.3% (124.3% prior to deduction), an interest-bearing debt ratio of 56.8% (the same 56.8% prior to deduction), and an equity ratio of 47.6% (24.5% prior to deduction), each maintaining the so-called "benchmarks of financial soundness."

Going forward, we will continue to be aware of our financial needs, while strategically investing for the future and maintaining our sound financial condition.

Features of SBI Holdings' Consolidated Balance Sheet



SBI Holdings consolidated financial indicators after deduction of SBI SECURITIES' assets held in customer securities accounts

	March 31, 2010	March 31, 2011	March 31, 2012
Current ratio	182.3	185.6	187.3
Interest-bearing debt ratio	58.2	54.1	56.8
Equity ratio	46.9	48.7	47.6

Q3. What is the progress of the "Brilliant Cut Initiative," which has been a focus of your efforts since July 2010?

A3. We have completed the first and second phases of the Brilliant Cut Initiative, and the progress continues steadily. From March 2012, we have moved to the third phase of the Brilliant Cut Initiative in the Financial Services Business, where we will proceed with a process of "selection and concentration," by verifying the existence and the strengths of the synergies with our three core businesses of securities, banking, and insurance.

Overview of the First and Second Phases of the Brilliant Cut Initiative

In the Brilliant Cut Initiative, each of the companies and divisions of the SBI Group corresponds to a facet of a diamond. Furthermore, the "58-facet brilliant cut" that produces the highest brilliance in a diamond symbolizes the 58 major business units of the SBI Group's corporate ecosystem.

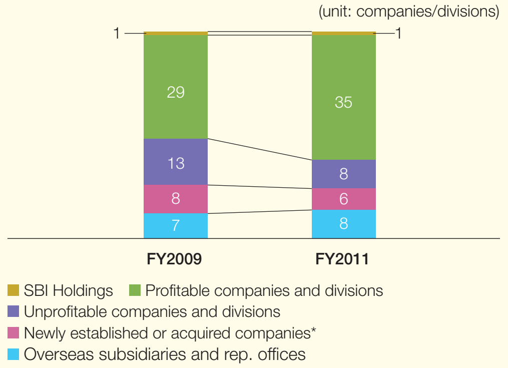
In the first phase, begun in July 2010, the primary goal was to improve the operating income of each company. In the second phase, begun in April 2011, we examined not only the operating income, but also the state of the balance sheets and cash flow of each company, in order to determine their profitability.

As a result of such efforts, if we compare FY2009 and FY2011 for the 58 major business units, the number of profitable companies and divisions increased by 6, from 29 to 35, and the number of unprofitable companies and divisions decreased by 5, from 13 to 8. Furthermore, the total amount of operating income for the profitable companies and divisions increased by ¥11.1 billion, from ¥16.4 billion to ¥27.5 billion. Meanwhile, although the total amount of operating losses from unprofitable companies and divisions increased by ¥3.9 billion, from ¥5.3 billion to ¥9.2 billion, SBI Insurance accounted for ¥3.5 billion of the total.

Parallel to efforts to strengthen the profitability of each company, we also moved ahead with the reorganization of the Group. As a part of our reorganization, during the first and second phases, we converted SBI Net Systems to a wholly-owned subsidiary of SBI Holdings, Morningstar Japan concluded the absorption merger of Gomez Consulting, SBI ArchiWorks was liquidated, and our entire stake in HOMEOSTYLE was sold.

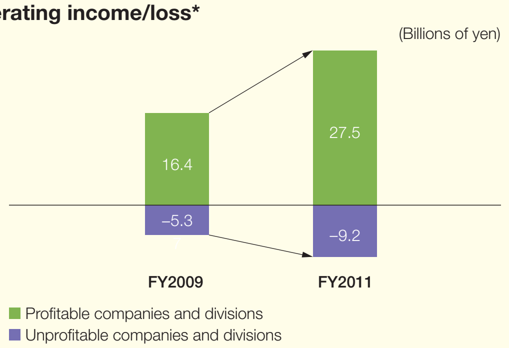
The First and Second Phase of Brilliant Cut Initiative

Number of profitable/unprofitable companies (divisions)



* Consistently profitable companies in "Newly established or acquired companies" were moved to "Profitable companies and divisions"

Operating income/loss*



* The total sum of operating income/loss of each company (division), and operating income/loss of each equity-method company/affiliated company and non-consolidated subsidiary is included.

Major Companies with Operating Deficits Also Show Trend toward Improved Performance

The three major companies that posted operating deficits in FY2010 were SBI Card, SBI Japannext, and SBI Pharmaceuticals (the former SBI ALApromo), but all have shown improved performance.

Thorough cost cutting and other measures proved to be successful at SBI Card and SBI Japannext, where operating losses at both companies for FY2011 improved by ¥0.8 billion year-on-year. Meanwhile, the operating loss at SBI Pharmaceuticals increased by ¥0.1 billion, but that was primarily attributable to increased R&D costs associated with the solid progress being made in the development of pharmaceuticals, whereas the sales of health foods and cosmetics continue to increase steadily.

Thorough Pursuit of Synergies with the Three Core Businesses in the Third Phase

From March 2012, the Brilliant Cut Initiative in the Financial Services Business entered the Third Phase. We will press ahead with a thorough "selection and concentration" of businesses by not only examining the profitability and growth potential of each business, but also by determining the existence and strengths of synergies with the three core businesses in the Financial Services Business, namely securities, banking, and insurance. Furthermore, we will determine whether substitutes exist for the products and services provided, and if they may be deployed overseas.

The decision to sell our wholly-owned subsidiary SBI VeriTrans (currently VeriTrans) to a subsidiary of Digital Garage, Inc. in March 2012 was based on such criteria. That is, the e-commerce settlement service operated by SBI VeriTrans had a weak synergy with our three core businesses, and its growth rate within the SBI Group was limited. Therefore, we determined it would be better to sell SBI VeriTrans to an external third party that is acutely aware of its value, in order for us to concentrate our resources in areas where stronger synergies are expected with the three core businesses.

Q4. What are the background and the goals of the organizational restructuring within the SBI Group from FY2012?

A4. With the adoption of International Financial Reporting Standards (IFRS), we revamped the Group organization around the axis of the three core businesses, of the Asset Management Business, Financial Services Business, and Biotechnology-related Business. Through this reorganization, we will be positioned to respond to the fiscal changes caused by introduction of the IFRS, and to establish an organizational structure to realize the "World's SBI."

Background of the Reorganization and Basic Strategy for Each Business Segment

"Structure follows strategy" is a famous thesis proposed by the American business historian Alfred Chandler, and captures the importance of implementing reorganization in line with a strategy. Therefore, toward our transition to become the "World's SBI," we have embarked on the creation of a new organizational structure to realize that goal.

First, SBI Holdings was requested by the Stock Exchange of Hong Kong Limited (SEHK) to promptly adopt International Financial Reporting Standards (IFRS), on the occasion of its listing on the SEHK in April 2011, and according to such, we are adopting IFRS from the first quarter of FY2012. With its adoption of IFRS, fluctuations in market values or exchange rates associated with operational investment securities during the accounting period will be directly recognized as a profit or loss in the Asset Management Business. As a result, there is a possibility that fluctuations in periodic profit or loss will be larger than they used to be; therefore, it is desirable to clearly delineate the Asset Management Business. At the same time, with the expansion of overseas investments, it has become necessary to efficiently and centrally manage our capital and foreign exchange for this business.

Furthermore, as previously mentioned, the Brilliant Cut Initiative in the Financial Services Business has moved into the Third Phase, in pursuit of synergies with the three core businesses of securities, banking, and insurance. Seeking even greater synergies, we have concluded that it is necessary to integrate the Brokerage & Investment Banking Business and the Financial Services Business, which had previously been divided into separate segments, for efficient operation.

Meanwhile, the Biotechnology-related Business, which is expected to become a new income source, continues to expand steadily, and will be cultivated as one of the main future business pillars of SBI Holdings.

Against this backdrop, we decided to reorganize our business segments from FY2012 into three businesses, namely the Asset Management Business, the Financial Services Business, and the Biotechnology-related Business.

Going forward, the intermediate holding company, SBI Capital Management, will specialize in business operations for the Group's Asset Management Business, including centralized management of capital and foreign exchange, in an effort to improve the efficiency of capital management and procurement in the business.

In the Financial Services Business, the former Brokerage & Investment Banking Business and the Financial Services Business will be merged into one segment, and the sales infrastructures of securities, insurance, and housing loan businesses will be unified as a common infrastructure under the intermediate holding company, SBI FINANCIAL SERVICES. Through these changes, we will thoroughly pursue synergies among the three core businesses in the Financial Services Business, namely securities, banking, and insurance.

The Biotechnology-related Business is regarded as the Group's highest growth business area, centered on the rapidly growing 5-ALA related business, and we are moving ahead with global development in cosmetics, health foods, and drug discoveries.

Development of Overseas Organizational Structure

We are also working on the development of an organizational structure overseas. As the first stage toward establishing SBI Hong Kong Holdings, our Hong Kong subsidiary, into a second headquarters, the company was positioned as an overseas business management company, to conduct business development to become the "World's SBI." We also appointed representatives from the SBI Group's overseas partner companies as directors of SBI Hong Kong to oversee the formulation of our overseas strategies. In May 2012, we invited the appointed directors to attend the First SBI Global Strategic Conference, which was held in Hong Kong, and we plan to continue holding these meetings in the future. These meetings serve as an opportunity to develop the SBI Group's overseas strategy, as well as to promote collaborations among the partners.

Interview with SBI Holdings CFO Shumpei Morita

IFRS Adoption Impact

SBI Holdings is voluntarily adopting the International Financial Reporting Standards (IFRS) from FY2012. The accounting standard will significantly differ from that under the Japanese Generally Accepted Accounting Principles (JGAAP), and in particular will affect the recognition of revenue in businesses such as the Asset Management Business, the accounting procedures for partial sales of subsidiaries' shares, and the accounting procedures for goodwill.

Director, Managing Executive Officer & CFO

Shumpei Morita

The impact on accounting standards accompanying the adoption of IFRS will be particularly significant in terms of, 1) change in the recognition of revenue of the Asset Management Business, 2) change in the accounting procedures for partial sales of subsidiaries' shares (where there is no change in the scope of consolidation), and 3) change in the accounting procedures for goodwill.

The changes reflect the characteristics of IFRS, which differ from JGAAP in how they view "fair value" measurement and minority shareholders. The basic premise of fair value measurement under IFRS is to measure the fair value of assets and liabilities each fiscal year, and to recognize the difference in the amount of periodic profit or loss. With regard to minority shareholders, the IFRS viewpoint is characterized not by the "parent company concept," which considers the purpose of consolidated financial statements to calculate the profit and equity for parent company shareholders, as is the case in Japan. Rather, it is characterized by the "economic unit concept," which considers the entire corporate group as a single economic unit, and looks at shareholders' equity including both parent company shareholders and minority shareholders who hold shares in subsidiaries, and considers the purpose of the consolidated financial statements to reflect the performance and financial position of the corporate group as a whole.

As a result, primarily in the Asset Management Business, operational investments will now be revaluated through fair value measurements each fiscal year. Therefore, the profit or loss on valuation will be recorded as revenue, and so revenue will be presented on a net basis. This is a major change, as previously under JGAAP, proceeds of the sale of operational investment securities were recorded under sales and shown on a gross basis, with the book value recorded as cost of sales. In addition, measuring fair value every fiscal year means that performance will fluctuate by the influence of the market. Depending on stock market conditions, unsold equity investments will be recorded as either a profit or loss on valuation.

Next, with regard to the partial sales of subsidiaries' shares, transactions with minority shareholders (non-controlling interests), even partial sales of shares in consolidated subsidiaries, will be treated as capital transactions under IFRS and will not be recognized as a profit or loss, as long as the sale does not remove the subsidiary from the scope of consolidation. This is based on the fundamental premise of IFRS that minority shareholders' equity is also shareholders' equity (capital) from the basis of the corporate group.

Lastly, with regard to accounting procedures for goodwill, the impact can be broadly divided into two areas. First, there will be no "amortization of goodwill," but instead an "impairment of assets" will be recognized. The source of goodwill is considered to be the "excess earning power," such as brand value, that has been built up by a company. In European countries with long histories, brand value is seen as accumulating through the passage of time. Therefore, the IFRS, which is heavily influenced by Europe, takes the view that goodwill is fundamentally not something to be amortized, but something that should be written down once its use value is reduced. For SBI Holdings, which recorded approximately ¥8.0 billion annually as "amortization of goodwill" under JGAAP, there will be a significant impact when these expenses are eliminated, but concurrently "asset impairment tests" will be conducted without fail each fiscal year.

Another issue related to goodwill is that it will not be recorded for the acquisition of additional shares in consolidated subsidiaries. That is, when control is acquired and a subsidiary falls under the scope of consolidation, goodwill can be recognized, but when additional shares are acquired after a company has already become a consolidated subsidiary, further goodwill will not be recognized. This differs significantly from JGAAP, as under JGAAP, SBI Holdings had recorded a significant amount of goodwill, partly owing to the conversion of SBI SECURITIES into a wholly-owned subsidiary. However, under IFRS, that goodwill, amounting to approximately ¥80.0 billion, is treated as though it was not recorded, and the capital surplus is decreased by that amount compared to the capital surplus under JGAAP.

Q5. Please explain future developments for the Financial Services Business.

A5. In the domestic Financial Services Business, we are positioning securities, banking, and insurance as the three core businesses that form a "triangle." From this arrangement, we will thoroughly pursue synergies among these businesses, as well as synergies among each of them and their supporting companies.

Developing the Domestic Financial Services Business with a Focus on the Three Core Businesses of Securities, Banking, and Insurance

As mentioned, going forward in the domestic Financial Services Business of the SBI Group, we are positioning securities, banking, and insurance as the three core businesses forming a triangle. As we develop these businesses, we will thoroughly pursue the generation and expansion of synergies among the core businesses, as well as between each of them and the supporting companies that play a complementary role in the business.

A demonstration of the remarkable synergy displayed between core businesses is the "SBI Hybrid Deposit," which links securities and banking at SBI Sumishin Net Bank. This groundbreaking service allows deposits in the SBI Hybrid Deposit at the bank to be allocated to purchase costs for stock trading, collateral required for margin trading, and for the actual receipt of stock purchased at SBI SECURITIES. SBI SECURITIES boasts the highest number of accounts in the Internet securities business, and the convenience offered by SBI Hybrid Deposit has led many SBI SECURITIES customers to open accounts with SBI Sumishin Net Bank. This is a significant synergistic effect that has contributed to a rapid expansion in both the number of accounts and balance of deposits at the bank.

Next, let me discuss the synergy between a core business and its supporting company, as exemplified by the synergies generated in the securities business between SBI SECURITIES and its supporting companies. SBI SECURITIES uses the Smart Order Routing (SOR) system, which places an order at the most favorable market selected from among several different markets. Connecting this system to the Japannext PTS (Proprietary Trading System), which is operated by SBI Japannext, has allowed customers to automatically conduct stock trading at the most favorable market, without having to compare among several different markets. Similarly, SBI SECURITIES is connected to SBI Liquidity Market, which provides the market function for foreign exchange margin (FX) trading, thereby making it possible to conduct FX trading on the basis of high liquidity. In this way, strong synergy flows between the core company, SBI SECURITIES, and its supporting companies.

Re-entry into the Life Insurance Business and Capital Policy in the Insurance Business

The SBI Group is planning to re-enter the life insurance business, and currently moving ahead with the necessary preparations. Shinsai Partners Inc. (currently SBI SSI), which is engaged in the sales of small-amount short-term insurance policies for people affected by earthquakes, was converted into our subsidiary in March 2012. SBI SSI plans to develop new products other than earthquake compensation insurance policies, and is expected to be helpful in terms of assessing the current insurance market trends and customer needs, as we proceed with preparations to re-enter the life insurance business.

It should be noted that the insurance business requires a significant amount of additional capital. Therefore, both the life and nonlife insurance companies will seek to strengthen their profitability, and to mitigate the financial burdens that accompany future capital needs will raise capital and form business tie-ups with strategic partners.

Development of "SBI MONEY PLAZA" Shops as a Common Infrastructure

We will carry out a full scale rollout of SBI MONEY PLAZA shops, the face-to-face channels that serve as a common infrastructure among the three core businesses. As we have stated all along, our goal is to become Japan's largest financial product distributor, offering products from both within and outside the Group on a neutral basis. To that end, we have appointed SBI Holdings Vice President Taro Izuchi as representative of SBI MONEY PLAZA Co., Ltd, as we seek to realize the "integration of online and face-to-face services" on a Group-wide basis, under a new system and management direction at SBI MONEY PLAZA.

Interview with SBI Holdings Vice President Taro Izuchi

Full-scale Deployment the New “SBI MONEY PLAZA”

With SBI MONEY PLAZA Co., Ltd. as the core, we will promote the full-scale rollout of face-to-face channels in the asset management, insurance, and housing loan fields in order to achieve an “integration of online and face-to-face services,” and to build a system that will respond to the diverse needs of our customers. Furthermore, we will enhance our sales capacity by transferring the network and sales force of SBI SECURITIES to SBI MONEY PLAZA, to aggressively promote cross selling in order to contribute to the Group’s revenues.

Director, Senior Executive Vice President & COO

Taro Izuchi

For complicated or high-priced financial products, online sales alone are not sufficient, and there is a need for face-to-face consultations to explain the product to the customer directly. Until now, the SBI Group had maintained separate operations nationwide for SBI SECURITIES’ branches and its network of intermediary financial products service providers and SBI Mortgage’s directly operated shops and franchises. Going forward, SBI MONEY PLAZA Co., Ltd. will take the lead in managing the operation of the SBI Group’s face-to-face channels, and will seek to “integrate online and face-to-face services” in order to provide a one-stop response for all customer needs.

SBI MONEY PLAZA will not deal separately with asset management, insurance, and housing loans, but will aggressively promote cross selling across all fields. As a face-to-face seller of various financial products, we expect SBI MONEY PLAZA to lead to an increase in contracts and trading at companies such as SBI SECURITIES, SBI Insurance, the new life insurance company now in the planning stages, and SBI Mortgage, thus contributing to the Group’s overall revenues.

In particular, we will focus our efforts on the insurance field. By fully capitalizing on SBI MONEY PLAZA’s face-to-face sales, and handling a range of products such as highly profitable insurance products from other companies, we are seeking to transform the earnings structure and will link this to making the insurance business profitable at an early date. We also plan to sequentially convert shops that belong to insurance sales operators VL FINANCIAL PARTNERS, Inc. (which operates the Mitsubachi Insurance Firm) and IRRC Corporation (which operates the Insurance Clinic) to SBI MONEY PLAZA shops.

In addition, we will strengthen the sales capacity by transferring the sales force that belonged to SBI SECURITIES to SBI MONEY PLAZA. As sales representatives of SBI MONEY PLAZA, the SBI SECURITIES sales team will utilize the expertise they have accumulated in selling financial products of all types, including insurance and housing loans, as well as securities.

Our target is to open 500 SBI MONEY PLAZA shops nationwide, including directly managed shops and franchises. However, we will be able to hold down our fixed costs, since franchisees will assume the burden of personnel and real-estate costs of the franchise stores.

Overview—Management Strategy
1. Change in Business Structure

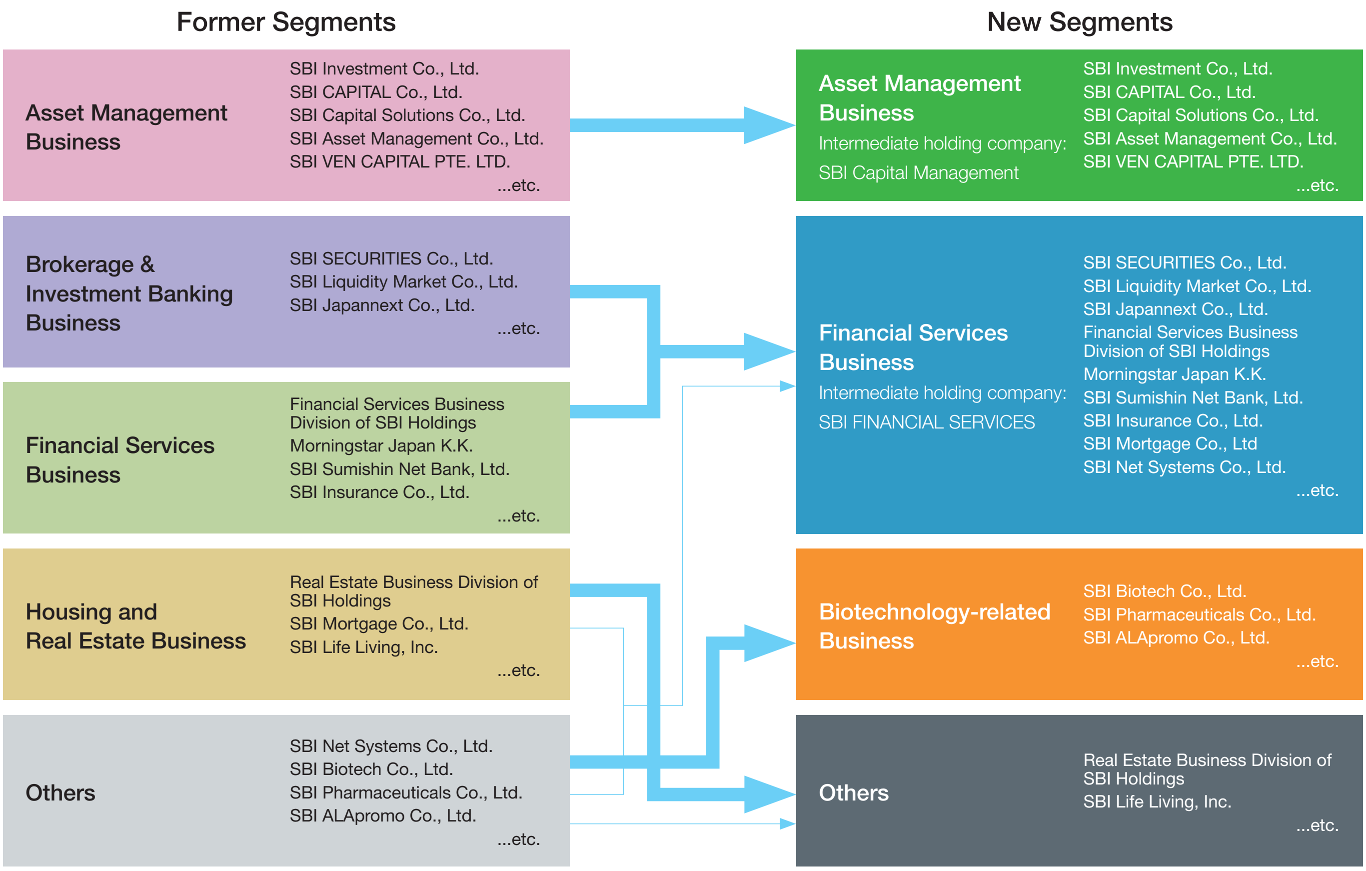
From FY2012, SBI Holdings will restructure its business segments into three businesses, comprising of the “Asset Management Business,” “Financial Services Business,” and “Biotechnology-related Business.”

In the Asset Management Business, there will be no change in the major companies of the former Asset Management Business. However, SBI Capital Management, an intermediate holding company established in June 2012, will centrally manage operations, including management of capital and foreign exchange for its business.

The Financial Services Business merges the former Brokerage & Investment Banking Business and the former Financial Services Business into one segment. SBI Mortgage, which provides housing loans, etc., and was formerly classified in the Housing and Real Estate Business, has been included in this segment, as are the system-related companies that provide system development for common infrastructure in the Financial Services Business, including SBI Net Systems and other companies that were included in the former “Others” segment. Under an intermediate holding company, SBI FINANCIAL SERVICES, established in June 2012, synergies will be extensively pursued among the three core businesses of securities, banking and insurance.

Additionally, an independent segment was established for the Biotechnology-related Business, previously classified in the former “Others” segment. The SBI Group positions this business as its largest growth area, reflecting in particular the steady progress of pharmaceutical research and development in the 5-ALA related businesses, as well as a strong expansion of sales for supplements (health foods) and cosmetics.

Finally, there remains an “Others” segment for businesses not included in reportable segments, and the companies of the former Housing and Real Estate Business are classified here, except for companies such as SBI Mortgage that are engaged in the real estate-related financial business.



2. Future Development of the Financial Services Business

(1) Brilliant Cut Initiative enters the third phase

The Brilliant Cut Initiative in the Financial Services Business moved into its third phase in March 2012. In the first phase (from July 2010) and second phase (from April 2011), the emphasis was on verifying and enhancing the profitability of each company. In the third phase, along with the profitability of each company, the existence of synergies with the three core businesses in the Financial Services Business (securities, banking and insurance) will be substantiated, and the strengths of those synergies will be assessed, through the examination of each business from the perspective of the criteria listed below. The SBI Group will carry out a thorough process of "selection and concentration," selecting those businesses that are judged suitable to continue operating as SBI Group businesses, and thereby concentrate resources on them.

First Phase:
The primary goal was each company's profitability in operating income, and companies that failed to achieve the goal in three years were to be liquidated or sold.

Second Phase:
Examined each company's earnings capacity by taking into account B/S, C/F situation as well as changes in operating income.

Third Phase:
Examine each company's synergy with the three core businesses, in addition to the earnings capacity, and concentrate resources solely on those businesses with strong synergies.

Fundamental Thinking of the Third Phase

To examine each business in terms of the following:

(1) Does the business have strong synergies with the three core businesses in the Financial Services Business, and does it have sufficiently high profitability and growth potential?

(2) Is the service not replaceable with services which can be purchased from other companies at reasonable prices?

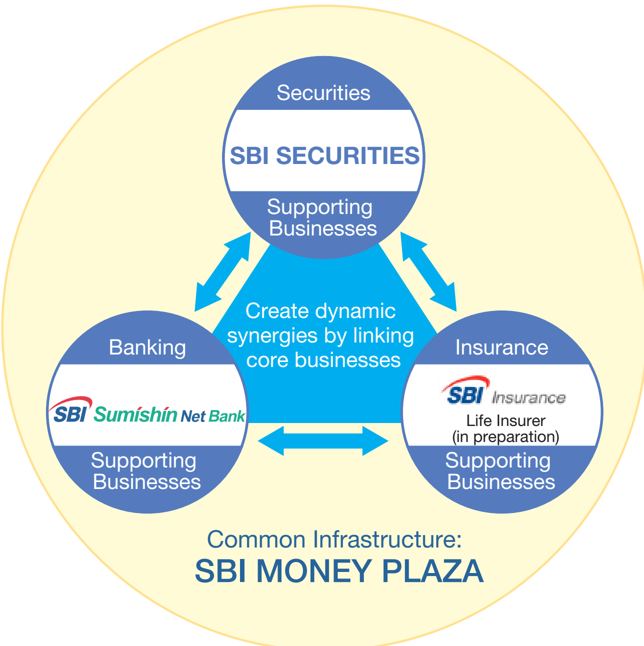
(3) Is it possible to deploy the business overseas as one of the SBI Group's businesses?

(2) Seeking synergies from the "triangle" formed by positioning securities, banking, and insurance as the three core businesses

Since March 2010, the SBI Group has implemented its "Pentagon Management," which positions securities, banking, nonlife insurance, life insurance (in preparation for re-entry) and settlement services as the five core businesses in the Financial Services Business. Going forward, we will integrate nonlife insurance and life insurance, and form a "triangle" of three core businesses of securities, banking and insurance. Through this formation, even greater synergies among the core businesses, and between each core business and its supporting businesses, will be pursued.

In addition, we will further expand development of SBI MONEY PLAZA shops as a common infrastructure for the Financial Services Business. The face-to-face channels that had been operated nationwide by both SBI SECURITIES and SBI Mortgage, will henceforth be merged and managed under SBI MONEY PLAZA Co., Ltd. By increasing the number of shops, and promoting cross-sales of products from both within and outside of the Group from a neutral standpoint, we will strive to become "Japan's largest financial products distributor."

In the overseas financial services business, we will continue to pursue business expansion under the Pentagon Management, including settlement services.



Overview—Overseas Strategy
3. Overseas Development

Enhancing the Overseas Network of Business Bases>

As the SBI Group transitions itself to the "World's SBI," efforts are being concentrated on the expansion of the overseas business, along with the enhancement of the overseas network of business bases that will serve as a foundation for that expansion. The SBI Group has recently been considering conversion of its Hong Kong subsidiary, SBI Hong Kong Holdings, into a second head office. In preparation for this move, SBI Hong Kong Holdings was made an overseas business management company, and in May 2012, eight representatives of the Group's overseas partners were invited to attend the first SBI Global Strategic Conference held in Hong Kong. Through these measures, the Hong Kong office is being positioned to handle all overseas planning and strategies for the Group.

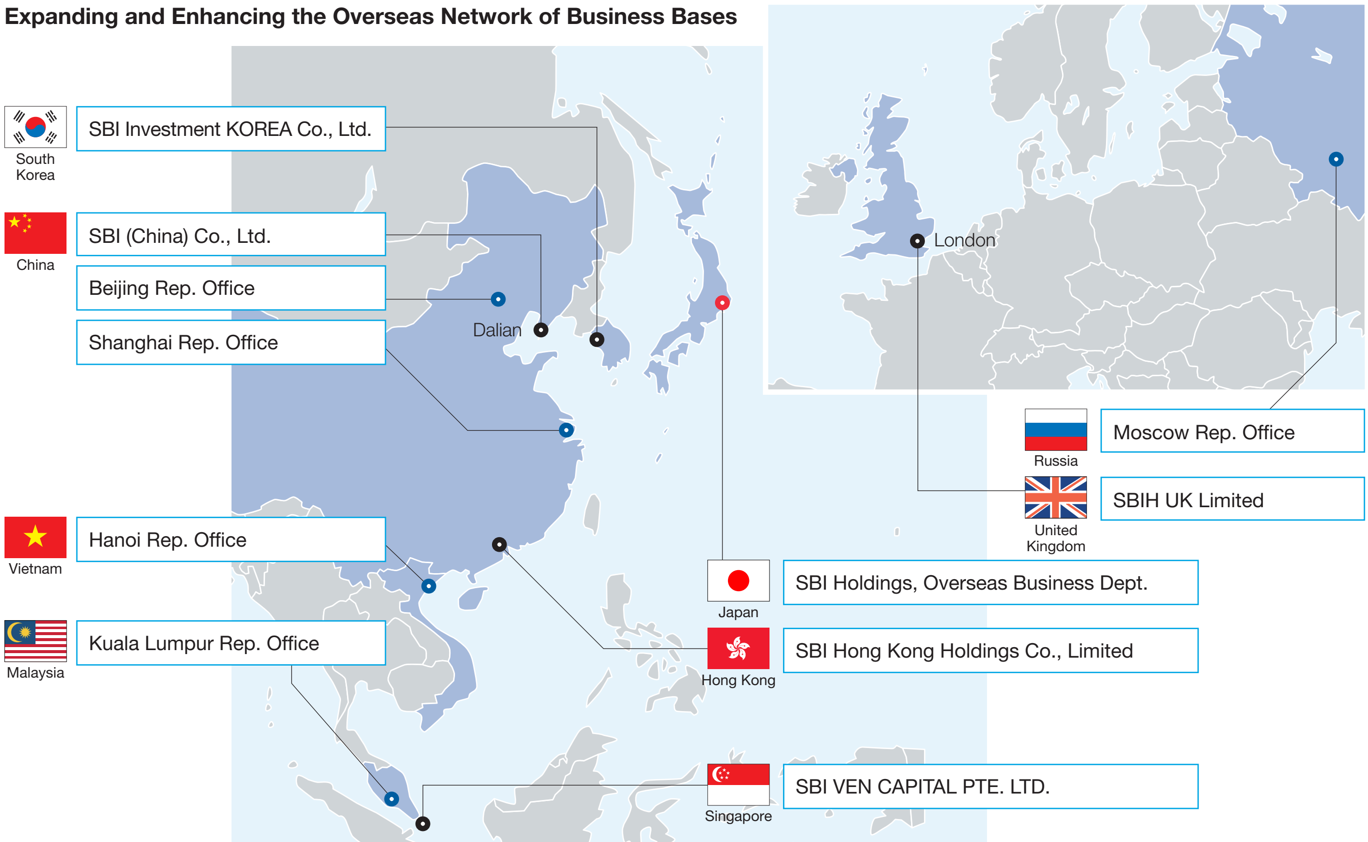
Meanwhile, in mainland China, the SBI Group's China business management company SBI (China) Co., Ltd. commenced business in Dalian in March 2012. Having adopted a corporate form of an "Investment Company," which was approved by the Chinese government, and having passed the significant hurdle of establishment, the company is eligible for preferential treatment from local governments, as well as other benefits such as being allowed to reinvest the Renminbi earned as investment income (dividends, etc.) in China. Through this company, the SBI Group will pursue further expansion and enhanced efficiency of its investment and financial services businesses in China.

Furthermore, the Group is moving ahead with the enhancement of its overseas network of business bases centered on emerging countries in Asia, through measures such as the establishment of a European business management company SBIH UK Limited in April 2011, in London, England, and opening of a representative office in Kuala Lumpur, Malaysia, in May 2011.

Investment Funds Established with Prominent Local Partners

With regards to its overseas investment business, the SBI Group is setting up funds in collaboration with prominent partners such as local financial institutions and government-affiliated investment institutions well-versed in the legal system, market characteristics and other features of each country or region. During FY2011, agreements were reached and preparations begun toward the establishment and operation of new funds, including those with Hong Kong's Kingston Financial Group Limited, Cambodia's largest conglomerate group the Royal Group, China's Shanghai Yidian Holding (Group) Company, India's comprehensive financial services company Edelweiss Financial Services Ltd., and, also in India, the major comprehensive IT services provider Mahindra Satyam. In this way, we are building a global investment structure covering a wide region with a focus on emerging countries.

Expanding and Enhancing the Overseas Network of Business Bases



Investments in Overseas Financial Institutions

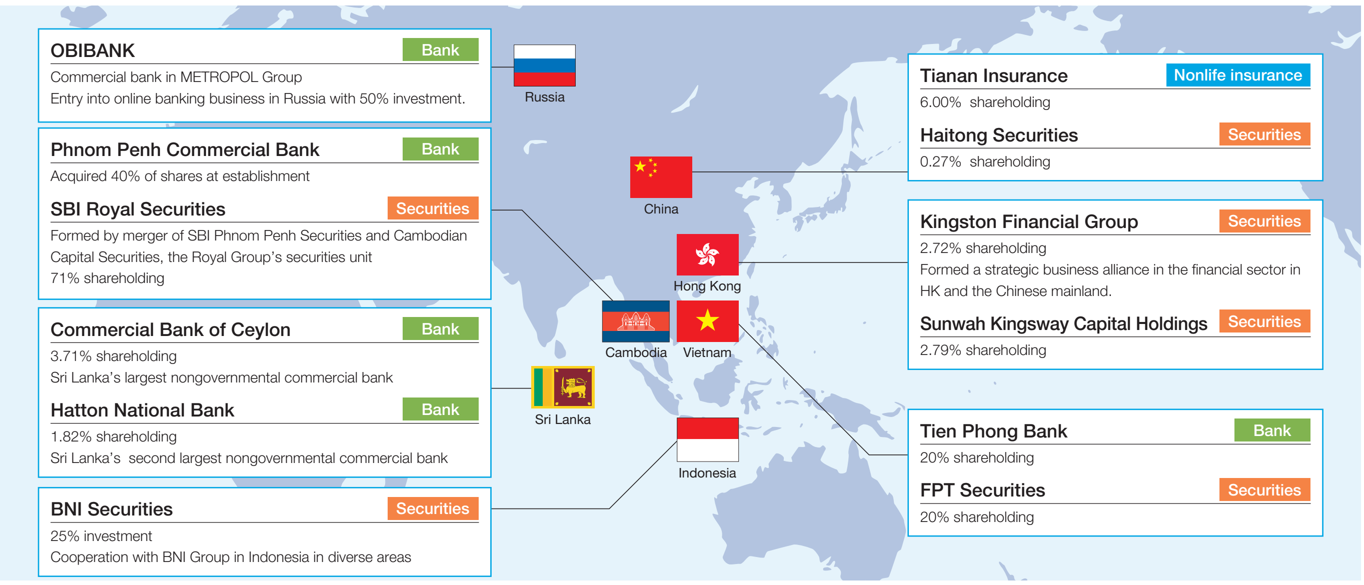
For the expansion of our overseas financial services businesses, we are fully leveraging the network built through our investment business to invest in overseas financial institutions, primarily in Asia. We have already invested in banks, securities companies, and insurance companies in countries such as China, Indonesia, Vietnam, Cambodia, Sri Lanka, and Russia to steadily solidify our overseas presence. In April 2012, we subscribed for shares of China's Haitong Securities Co., Ltd. equivalent to US$30 million in response to a call for cornerstone investors (institutional investors who subscribe for a company's shares as strategic investors prior to its IPO on the occasion of listing) when the company dual-listed on the Hong Kong Stock Exchange. The investment has served as an opportunity for us to consider collaborating with Haitong Securities in a wide-range of potential business opportunities in China, and other Asian countries.

We are also pursuing non-capital business alliances with prominent financial institutions in various countries. During FY2011, we have agreed to strategic business alliances with China's Aeon Life Insurance Company, Ltd., Singapore's major comprehensive financial group PhillipCapital, and Malaysia's OSK Investment Bank Berhad, as we advance various collaborations in financial services.

Funds Jointly Established with Prominent Overseas Partners

Fund name	Establishment	Partners
New Horizon Fund	May 2005	TEMASEK (Investment company for the Singaporean government)
SBI & TH VC Fund	Jan. 2008	Tsinghua Holdings (Company of the Tsinghua University)
SBI & BDJB China Fund	Feb. 2008	Peking University Beida Jade Bird Group (Strategic investment arm of Peking University)
Vietnam Japan Fund	Apr. 2008	FPT (Vietnam's largest high-tech company)
SBI& Capital 22 Fund	Oct. 2008	Founder of a Taiwanese IT company
SBI Zhaoxin Fund	Mar. 2009	China Merchants Securities, Resource Capital China, China CITIC Bank
PNB-SBI ASEAN Gateway Fund	June 2010	PNB Equity Resource Corporation (Malaysian governmental investment management company)
SBI-Islamic Fund	Dec. 2009	Brunei Darussalam, Ministry of Finance
Jefferies-SBI USA Fund	June 2010	Jefferies Group (major U.S. securities company)
SBI-Jefferies Asia Fund	July 2010	Jefferies Group (major U.S. securities company)
SBI-METROPOL Investment Fund	Nov. 2010	IFC METROPOL (Major integrated financial group in Russia)
INVEST AD/SBI AFRICA FUND	Jan. 2011	Invest AD (Subsidiary of the Abu Dhabi Investment Council)
INVEST AD/SBI TURKEY FUND	May 2011	Invest AD (Subsidiary of the Abu Dhabi Investment Council)
SNSI Fund	July 2011	Shin Kong Group (Major financial group in Taiwan) Nan Fung Group (Major real estate developer in HK)
Kingston/SBI Credence Fund	Sept. 2011	Kingston Financial Group (Major financial group in HK)
EW SBI Crossover Fund	May 2012	Edelweiss Financial Services
Fudan University Fund	June 2012	Shanghai Fudan Forward Science & Technology
Cambodia Fund	In preparation	Royal Group (Largest conglomerate group in Cambodia)
Shanghai Yidian Fund	In preparation	Shanghai Yidian Holding (large state-owned information company directly under the Shanghai Municipal Government)
Nirvana Digital India Fund	In preparation	Founding family of Patni Computer Systems
Mahindra Satyam Fund	In preparation	Mahindra Satyam (Large IT service company in India)
SBI-FMO Asia Financial Services Fund	In preparation	FMO (Bilateral private sector development bank)

Capital Investment in Overseas Financial Institutions Centered on Asian Region (as of June 30, 2012)



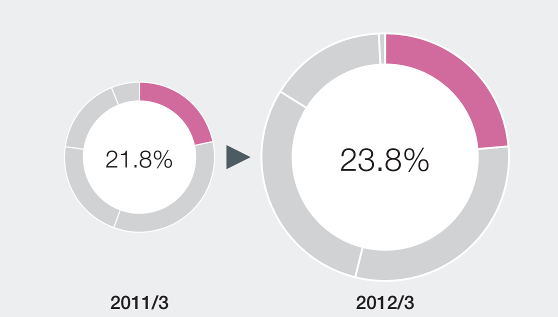
Segment	Business Description	Major Business Activities
Asset Management Business (Page 20)	Management and operation of investment partnerships	Establishment, management and operation of funds that mainly invest in IT, biotechnology, environment and energy and financial sectors inside and outside of Japan
	Investment in venture companies inside and outside of Japan	Proprietary investments by the Company and its consolidated subsidiaries in venture companies inside and outside of Japan
	Investment advisory and other businesses	Investment management and advisory services based on the Financial Instruments and Exchange Act
Brokerage & Investment Banking Business (Page 24)	Securities related businesses	Provision of financial products such as securities that meet the diverse needs of investors, underwriting of IPO stocks and corporate bonds by leveraging the capabilities to attract customers and sell products in the brokerage business, and other investment banking business activities
Financial Services Business (Page 28)	Marketplace business	Operations of various websites mainly for comparing insurance and loan products
	Financial products business	Provision of a wide range of financial services including banking, credit cards, and leasing
	Financial solutions business	Online settlement services for EC business operators
	Other businesses	Provision of nonlife insurance products and evaluation of investment trusts
Housing and Real Estate Business (Page 32)	Real estate business	Real estate investment, real estate development, consignment of construction, subdivision of housing, operation of real estate funds and other
	Financial real estate business	Provision of housing loans and related agency services, and real estate secured loans
	Lifestyle networks business	Operation of websites for comparison, search and estimates of various products and services

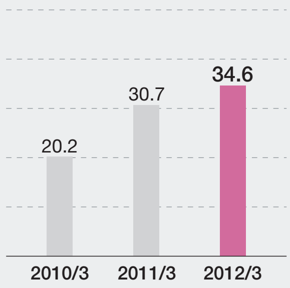
Note: The Others segment comprises businesses excluded from reporting segments, and is omitted from the table above.
Specifically, the Others segment comprises system-related businesses, and drug discovery businesses, among others.

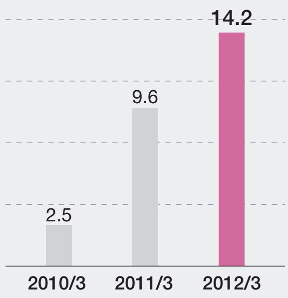
Ratio of Net Sales to Total Consolidated Net Sales
(FY2010 and FY2011)

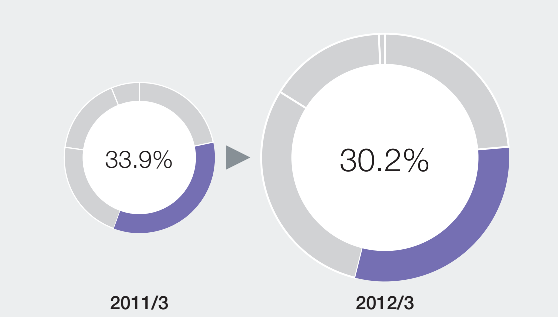
Net Sales
(Billions of yen)

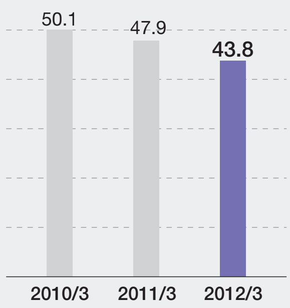
Operating Income (Loss)
(Billions of yen)

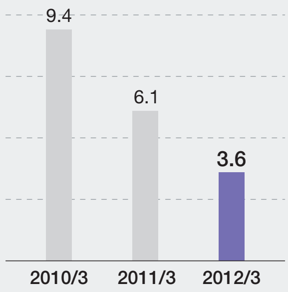


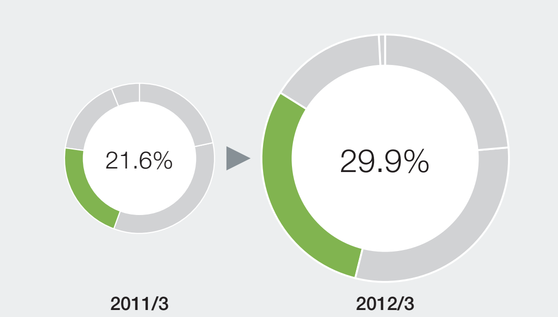


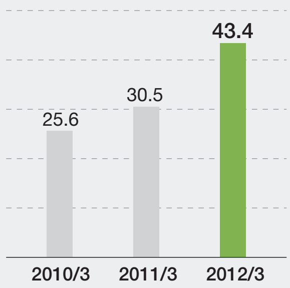


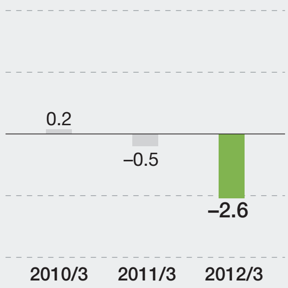


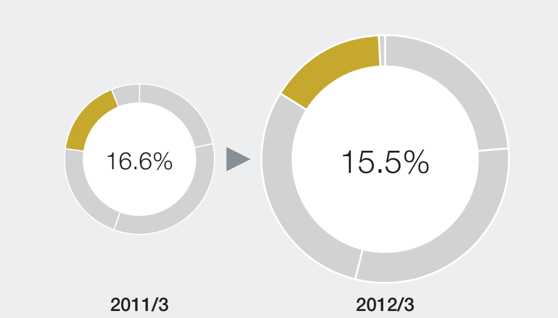


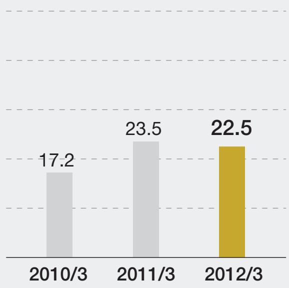


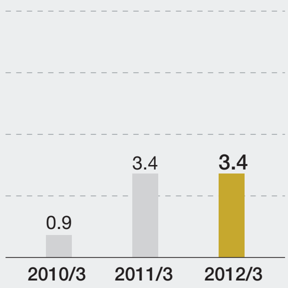












Asset Management Business

In the Asset Management Business, the SBI Group will continue its focused investments in Japan's next generation growth industries, including IT, biotechnology, environment and energy, and financial services, in its role as a "new industry creator." On the basis of the trust and brand reputation that we have established through our past performance, we will move ahead with alliances with prominent local partners to accelerate our investments in the economically rapidly growing emerging market countries.

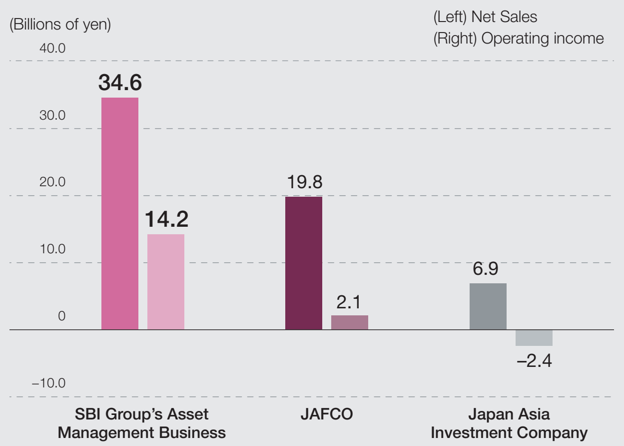
Principal Companies	Business
SBI Investment Co., Ltd.	Venture capital fund management
SBI CAPITAL Co., Ltd.	Buyout and value up fund management
SBI Capital Solutions Co., Ltd.	Mezzanine fund management
SBI Asset Management Co., Ltd.	Investment trust management, investment advisory services
SBI VEN CAPITAL PTE. LTD.	Overseas investment administration

Financial Results of FY2011

The Asset Management Business consists of two businesses, a securities investment business and an investment advisory/other services business. The securities investment business includes the establishment, management and operation of funds that invest primarily in securities of the IT, biotechnology, environment and energy, and financial sectors. It also makes proprietary investments in venture companies inside and outside of Japan. The investment advisory other services business engages primarily in managing and advising on investments in mutual funds.

In FY2011, the Asset Management Business achieved an increase in sales and profits for the second consecutive year, recording net sales of ¥34.6 billion and operating income of ¥14.2 billion, up 12.6% and 48.1% year-on-year, respectively. This was largely due to a capital gain recorded from the sale of stock, including approximately ¥5.2 billion from the sale of shares in VSN, Inc., a portfolio company of a fund managed by SBI CAPITAL, and approximately ¥6.4 billion from the sale of shares in KLab Inc., a portfolio company of funds managed by SBI Investment.

Net Sales and Operating Income of Major Japanese Venture Capital Firms in FY2011



Source: Compiled by SBIH from information disclosed by each company
*Only JAFCO adopts the method of excluding the consolidation of funds

14 IPOs and M&As Despite a Downward Trend in Global IPO Listings

In the global IPO market, there was a slowdown mainly in emerging market countries, and the number of IPOs in FY2011 declined by 271 from the previous fiscal year to 1,125. Meanwhile, the number of domestic IPOs increased by 14 from the previous fiscal year to 37, as the domestic IPO market entered a mild recovery stage. Nevertheless, the level remains low compared to the 187 IPOs recorded in FY2006, when the emerging equity market was robust in Japan.

In this challenging environment, 14 IPO and M&A deals were transacted by investee companies of the SBI Group, with 5 domestic companies involved in IPOs including KLab Inc., 6 overseas companies involved in IPOs, 2 domestic companies and 1 overseas company involved in M&A deals.

FY2011 IPO and M&A Deals in which the SBI Group's Investee Companies were Involved

Exit Date	Company	Business Description	Market (Country)
April 2011	PCHOMESTORE Inc.	Electronic commerce services	GTSM (Taiwan)
May	Renren, Inc.	Management of No. 1 social networking website in China (Renren.com), social commerce website (nuomi.com) and social networking website for business (jingwei.com)	New York (U.S.)
July	NIBEC Co., Ltd.	Development and manufacturing of artificial bones	KOSDAQ (Korea)
July	Mebiopharm Co., Ltd.	Development of drugs using unique ribosome technology	TOKYO AIM (Japan)
September	KLab Inc.	Social business, SI business, Cloud and License business	TSE Mothers (Japan)
October	FROUTE Corporation	Mobile content delivery services	(M&A)
October	SymBio Pharmaceuticals Limited	Development and commercialization of drugs for specified diseases (cancer, blood and autoimmune diseases)	JASDAQ (Japan)
November	Best Create Corporation	Provider of the affiliate commerce materials and advertisements to the customers in retail stores	(M&A)
December	Redwood Group Ltd	Contract manufacturer of high-quality interior fittings for luxury brands	GTSM (Taiwan)
December	W-SCOPE Corporation	Manufacturing and sale of separator for lithium-ion secondary battery	TSE Mothers (Tokyo)
January 2012	Beyondsoft Corporation	IT consulting, application development and maintenance services	Shenzhen (China)
February	HYVISION SYSTEM INC.	Manufacturing of glasses, photo devices and optical equipment	(M&A)
February	NEUROS Co., Ltd.	Development and manufacturing of Turbo Blower	KOSDAQ (Korea)
March	VECTOR INC.	Providing support for strategic corporate public relations	TSE Mothers (Japan)

VOICE

Tetsuya Sanada
President and CEO
KLab Inc.

"After succeeding in transferring to the First Section of the Tokyo Stock Exchange in a record-short period of roughly 8 months, we will devote our utmost efforts to advancing in the global market"

With the slogan, "Social, Smart Phone, and Beyond," KLab provides high quality social games, smartphone applications, and highly reliable software packages designed and developed in-house. We are now moving forward with the establishment of overseas offices, and will devote our utmost efforts to advancing into the global market.

When we received funding from SBI Investment in 2006, I was surprised with their quick investment decision-making, and was impressed by their considerable support during the period leading up to the listing. They were deeply involved in the management of KLab, attending Board of Directors meetings and management meetings. Owing to such support, after listing on the Mothers Market of the Tokyo Stock Exchange in September 2011, we succeeded in transferring to the First Section of the Tokyo Stock Exchange in a record-short period of roughly 8 months.

In December 2011, we established KLab Ventures in collaboration with SBI Investment, to take advantage of the know-how of both companies, to invest in and foster promising venture companies involved with the Internet.

Going forward, we will maintain the spirit of "taking up new challenges," as we promote new businesses that are a step ahead of the times, and pursue further business expansion, so that KLab and the KLab Group will grow to become the world's leading vendor of social games.

Continuing High Levels of Investment and High Operational Performance

The SBI Group's investment funds are not limited to investments in venture companies planning IPOs. For instance, SBI CAPITAL manages buyout funds that invest primarily in promising publicly listed medium-size companies in the emerging markets, as well as high growth potential companies. Also, we are engaged in mezzanine investments through funds managed by SBI Capital Solutions, which targets companies endeavoring to revitalize their operations.

We believe that a lingering difficult business environment with weak stock market performance actually offers an ideal opportunity to make new investments, and we have taken advantage of the reduction in investment costs since the Lehman Shock to aggressively continue high-level investment. In addition to investments in Japan, substantive investments in emerging market countries were made through funds established jointly with prominent overseas partners.

The investment amount in FY2011 was ¥69.5 billion in aggregate, ¥57.2 billion of which was by SBI managed funds, and ¥12.3 billion of which was by direct investment, and total number of investees stood at 180 companies. These activities have kept the SBI Group one of the most active venture capital companies in Japan.

The SBI Group Funds' Assets Under Management

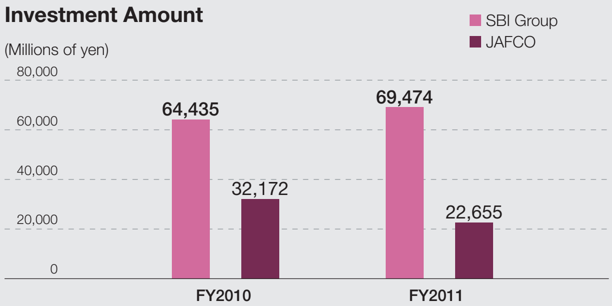
During FY2011, 2 domestic funds established in 2004 to invest primarily in domestic and overseas broadband-related companies were redeemed in August 2011. Meanwhile, a total of 6 new funds were set up inside and outside Japan, including a fund established jointly with Invest AD, a subsidiary of the Abu Dhabi Investment Council (ADIC) of the United Arab Emirates, to invest in private equity in Turkey. As a result, the SBI Group's total assets under management in private equity amounted to ¥283.0 billion.

Pursuing Various "Value Creation"

The SBI Group is promoting diverse "value creation" efforts in the Asset Management Business. "Value creation" refers to the creation of new value by combining the Group's investee companies inside and outside Japan, which totaled 886 (cumulative) as of March 31, 2012, or Group companies, which totaled 140 as of the same date, through various means such as M&A. We are establishing joint ventures and conducting M&As between Group companies and investee companies, as well as joint ventures and M&As between investee companies, in addition to IPOs of Group companies and investee companies on various Asian markets.

For example, in April 2012, we entered into a basic agreement with Coway International TechTrans Co., Ltd., which belongs to our partner Tsinghua University Group, and the SBI Group investee company Auto Server Co., Ltd., to establish a joint venture to provide an online used car auction business in China. The joint venture will dully utilize the know-how of Auto Server, which is a leading company in the online used car distribution business in

Change in Investment Amount / Number of Companies Invested in



Number of Companies Invested in

	FY2010	FY2011
SBI Group	185	180
JAFCO	110	96

Source: Compiled by SBIH from information disclosed by each company

The SBI Group's Assets Under Management

503.0 billion yen as of the end of March 2012

(Billions of yen)

Private equity Total: 283.0

(IT/Biotechnology)	Total: 78.9
Broadband/Media	12.1
Mobile services	26.5
Biotech	12.7
Others*1	27.6

(Buyout/Mezzanine)	Total: 34.4
Value Up	23.7
Mezzanine	10.7

(Direct investment)	43.1

(Environment/Energy)*2	8.0

(Overseas)	Total: 118.7
China*2	26.3
South Korea	35.1
Vietnam	5.3
India	7.4
America	11.3
Russia	7.5
Others*2	25.7

Investment trusts, others	Total: 193.5
Investment trusts	58.8
Investment advisory	133.4
Investment companies	1.2

Real estate, others	Total: 26.6
Development	15.6
Completed properties	10.9

The figures for real estate investments reflect the total amount of investments, and figures for investment trusts and investment advisory services reflect net assets at market value as of the end of March 2012. Figures for other funds reflect net assets at market value based on the most recent financial report for each fund as of March 2012. Figures are rounded to the nearest ¥100 million.

*1 Includes funds managed by Hikari Private Equity and SBI Trans-Science

*2 Funds that do not close before the fiscal year end are calculated based on contribution commitments.

List of Sector Funds Agreed to be Established

Date of Agreement	Partner	Investment Target
November 2011	Shanghai Yidian Holding (Large state-owned information company directly under the aegis of the Shanghai Municipal Government)	Chinese companies engaged in the information service business related to intelligent technology and Internet of things
December 2011	KLab (IT company engaged in social media, cloud computing and licensing, and system integration)	Start-up and early-stage companies in the Internet field
February 2012	Mahindra Satyam (Comprehensive IT services provider of a major business group based in India)	Promising IT companies around the world
May 2012	FMO (Netherlands Development Finance Company)	Financial sector of emerging Asian countries

Japan, and will operate the online used car auction business that provides a market place to connect trade-in firms and dealers of used cars via the Internet in China, where the automobile market is significantly expanding. As such, the SBI Group is working on creating new value, by supporting investee companies in developing overseas business through application of its globally established networks in emerging market countries, particularly in Asia.

As part of the value creation strategy, we have been establishing sector funds focused on investments in specific sectors inside and outside of Japan. The advantage is that, in the case of a joint-venture fund set up with an IT company partner to invest in the IT sector, the partner company can become the purchaser of promising IT investee companies, thus allowing rapid exits unconstrained by the IPO lock-up period. Since April 2011, we have agreed to establish sector funds with China's Shanghai Yidian Holding (Group) Company, India's Mahindra Satyam, our domestic investee KLab Inc., and the Netherlands Development Finance Company.

With regard to IPOs of Group companies and domestic investee companies, we also intend to aggressively leverage the Asian markets for the furtherance of each company's overseas business development. For FY2012, we are planning to list a number of domestic investee companies on the overseas markets, including Auto Server Co., Ltd., which is endeavoring to obtain approval for listing on the Taiwan GTSM Market within FY2012, and AXES Holdings Co., Ltd. (currently SBI AXES Co., Ltd.), a domestic provider of online settlement services for e-commerce, which obtained approval for listing on the Korea Exchange and is planning to be listed on the KOSDAQ Market in Korea within 2012.

Takashi Nakagawa
Representative Director and COO of SBI Investment Co., Ltd.

Creating and Incubating Companies as a "New Industry Creator"

Under the management philosophy of becoming a leading company in the creation and incubation of core industries of the 21st century as a "new industry creator," SBI Investment is focusing on investments in private equities in the next generation core industries, such as IT and biotechnology, and we are expanding our investment range into areas including media, image, and environment-related sectors. We are also working to increase the corporate value of the investee companies, by providing them with not only risk capital, but also comprehensive support, including assistance in sales, establishment of a framework for strengthening corporate governance, and dispatch of personnel to their Board of Directors. We have established a steady record of achievement through our investment activities, and a good example of this was the listing of KLab Inc., a portfolio company of funds managed by SBI Investment, on the Mothers Market of the Tokyo Stock Exchange in September 2011.

Following the SBI Group's value creation strategy, SBI Investment actively supports investee companies in developing their overseas business, as well as their listing on the overseas markets.

As a venture capital firm capable of taking a full hands-on approach, SBI Investment will continue to invest strategically in private equities, in order to cultivate the industries of the next generation.

Brokerage & Investment Banking Business

SBI SECURITIES, with its firm commitment to the customer-centric principle, has continued to provide the "industry's lowest level of commission rates and highest level of quality service." With outstanding market share in the domestic stock brokerage business, the number of customer accounts has continued to increase. At the same time, the SBI Group is endeavoring to establish a profit structure that does not depend solely on stock brokerage commissions. We are diversifying our revenue sources by offering various products and services such as investment trusts, foreign bonds and foreign exchange margin (FX) trading.

Principal Companies	Business
SBI SECURITIES Co., Ltd.	Comprehensive online securities company
SBI Liquidity Market Co., Ltd.	Provides market infrastructure for FX margin trading
SBI Japannext Co., Ltd.	Operation of PTS (proprietary trading system)

Financial Results of FY2011

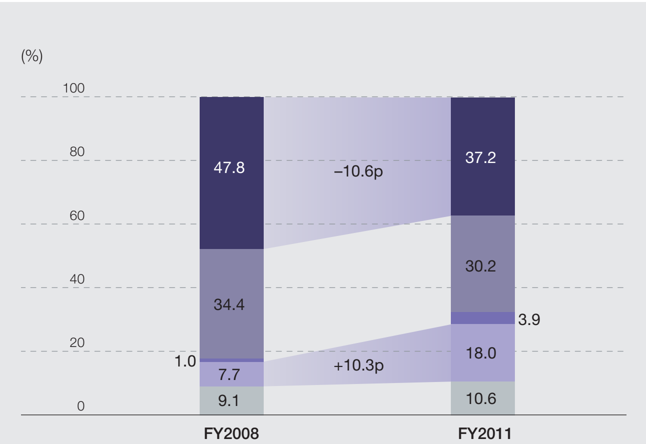
The Brokerage & Investment Banking Business is engaged in the brokerage of securities transactions, the underwriting and offering of IPOs, and the placement and distribution of securities. For FY2011, the business recorded net sales of ¥43.8 billion, down 8.5% year-on-year, and operating income of ¥3.6 billion, down 41.1% year-on-year. These results were primarily due to SBI SECURITIES and SBI Liquidity Market.

SBI SECURITIES' Ongoing Success in Diversifying Revenue Sources

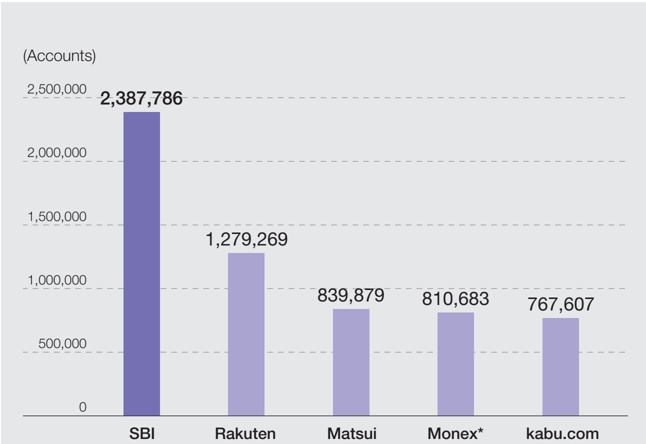
Individual stock brokerage trading value in the domestic market is declining year-by-year since the Lehman Shock, and the cumulative value for FY2011 was down 14.4% from the previous fiscal year. Despite these difficult business conditions, operating revenue at SBI SECURITIES was down only 9.8% to ¥39.7 billion, owing to our ongoing revenue source diversification through an enhanced lineup of products other than domestic equities, such as FX, investment trusts and foreign bonds. Compared to FY2008, the ratio of SBI SECURITIES' operating revenue accounted for by commission revenues declined from 47.8% to 37.2%, while diversification of revenue progressed steadily, for example, with an increase in net trading income including FX-related revenues.

In our pursuit of further revenue diversification, we are

Change in SBI SECURITIES' operating revenue structure



Customer Accounts of Five Major Online Securities Companies
(As of the end of March 2012)



Source: Compiled by SBIH based on websites and other public information for each company
* The Monex figure is the number of active accounts

expanding our brokerage service to offer stock of companies in emerging markets, with the objective of offering opportunities to invest in countries where high economic growth is anticipated. In addition to the U.S., Chinese, South Korean and Russian stocks that we already offer, we started offering Vietnamese stocks in November 2011 and Indonesian stocks in April 2012.

Solid Market Share Supported by Dominant Customer Base

SBI SECURITIES continues to enjoy a customer base far surpassing that of its competitors in the online brokerage business, with 2,387,786 accounts and ¥4,757.4 billion in customers' deposit assets, as of the end of March 2012. Regarding the overall individual stock brokerage trading value held by the five major online securities companies in FY2011, the total share for all five companies stood at 70.4%, and SBI SECURITIES alone held 33.4%. Also, the total market share of the retail margin trading value for the five major online securities companies stood at 74.6%, with SBI SECURITIES holding 35.0%. These figures represent SBI SECURITIES' continued dominance of the business, as compared to its competitors.

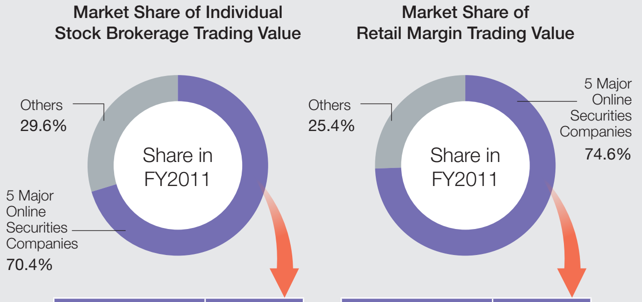
Whereas the online securities brokerage firms handle an overwhelming share of the flow of stock trades, there is much space left for their expansion of market share in terms of deposit assets. Assets of customer accounts of the major five online securities companies totaled ¥11.1 trillion, as of the end of March 2012, but this represents a mere 17.9% of the total shares held by individuals in Japan. However, online securities companies are now well-placed to increase their share of individual stock holdings in Japan, thereby further broadening the presence of online trading in the securities industry.

Pursuing Further Customer Satisfaction

Guided by the SBI Group's fundamental customer-centric principle, SBI SECURITIES has continued to endeavor to provide attractive products, services and commission structures. As a result, we have earned the support of many customers who form our current customer base. Proof of this is our sixth consecutive No. 1 ranking in the 2011 "Oricon Customer Satisfaction Ranking," in the comprehensive category for online securities. In addition, SBI SECURITIES' call center operations were awarded 3 Stars, the highest rating in Japan, for the second consecutive year in the 2011 "Call-center Customer Satisfaction Ratings" for the securities industry, conducted by the Help Desk Institute (HDI), the world's largest rating agency in the support services sector. This result reflects the high-quality of telephone responses at SBI SECURITIES' call centers.

Going forward, we will further focus on providing customers with optimal services based on the customer-centric principle.

Comparison of Market Share of the Individual Stock Brokerage Trading Value and Retail Margin Trading Value for the Major Online Securities Companies (FY2011)

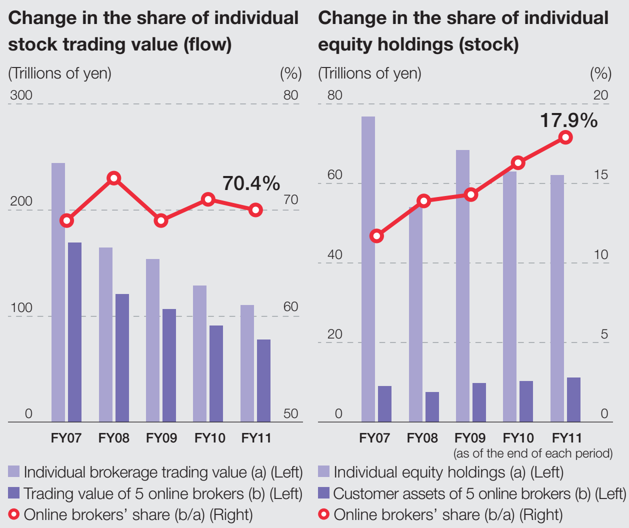


SBI	33.4%
Rakuten	15.1%
Matsui	7.4%
Monex	7.4%
kabu.com	7.1%

SBI	35.0%
Rakuten	15.5%
Kabu.com	8.8%
Matsui	7.7%
Monex	7.6%

Source: Based on TSE, JASDAQ and company materials
* Individual brokerage trading value and retail margin trading value are the sum of trades on the three major exchanges and JASDAQ
* Figures for SBI SECURITIES only include trades done via the Internet

Online Brokers' Share of Retail Stock Trading Market



Source: Disclosed data from TSE, OSE and company websites, and Bank of Japan "Flow of Funds"

Steady Growth in Trading Value at SBI Liquidity Market and Establishment of Pure-play FX Trade Company SBI FXTRADE

SBI Liquidity Market, which started operations in November 2008, provides market infrastructure for foreign exchange margin (FX) trading. With 25 major domestic and foreign financial institutions (as of the end of June 2012) as counterparties, SBI Liquidity Market offers a stable and competitive FX trading environment for customers of SBI SECURITIES and SBI Sumishin Net Bank. By utilizing SBI Liquidity Market, SBI SECURITIES has enjoyed a high level of FX trading value, in spite of the tightened leverage regulations that were phased in from 2010 to 2011. While the cumulative trading value of overall domestic over-the-counter FX transactions declined 12.7% year-on-year in FY2011, cumulative FX trading value at SBI SECURITIES climbed by 27.7%. In FY2011, SBI Liquidity Market's contribution to our consolidated operating income amounted to ¥7.0 billion, including trading gains at SBI SECURITIES. The company continues to make a major contribution to the Group's performance.

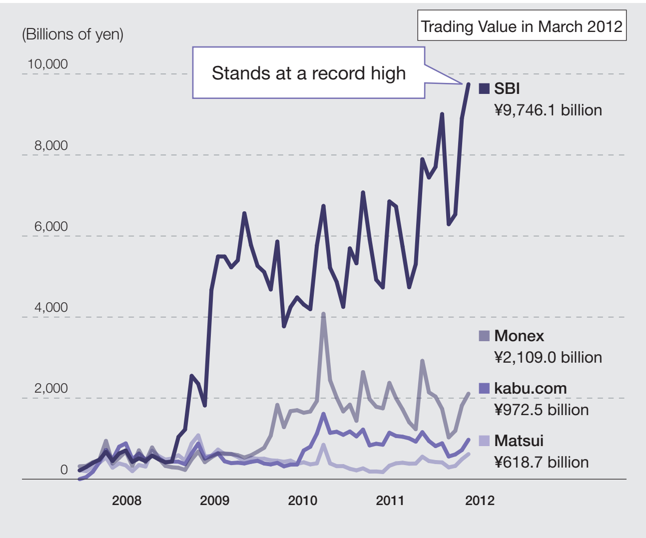
Thus, SBI Liquidity Market continues to expand steadily. However, when considering the over-the-counter FX trading market as a whole, the company's share remains at just 5.6% (FY2011), and we believe there is still plenty of room for growth. Therefore, the SBI Group established SBI FXTRADE as a new pure-play FX trade company, which commenced operations in May 2012. SBI FXTRADE is seeking to attract a new customer base, particularly the younger generation of investors who manage their assets chiefly through FX trading. An influx of new customers not only means growth in trading value at SBI Liquidity Market, a covering transaction partner, but may also have beneficial effects through further increases in liquidity for customers of SBI SECURITIES and SBI Sumishin Net Bank, which are connected to SBI Liquidity Market.

Japannext PTS Grows to Second Largest Market in Japan

Japannext PTS, operated by SBI Japannext, through its highly accessible proprietary trading system (PTS), provides a Japanese stock trading platform.

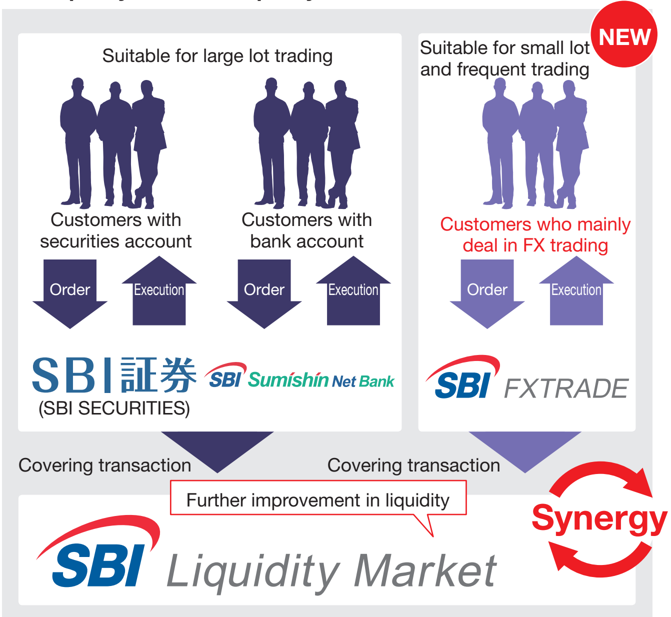
Trading volume on Japannext PTS is growing rapidly. In FY2011, total trading volume soared to ¥7,060.9 billion, up 193.9% from the previous fiscal year. In December 2011, trading value rose beyond 3% (4.0% as of June 2012) of that on the First Section of the Tokyo Stock Exchange, and exceeding the volumes

Foreign Exchange Margin Trading Value of the Four Major Online Securities Companies



Source: Compiled by SBIH from disclosed information

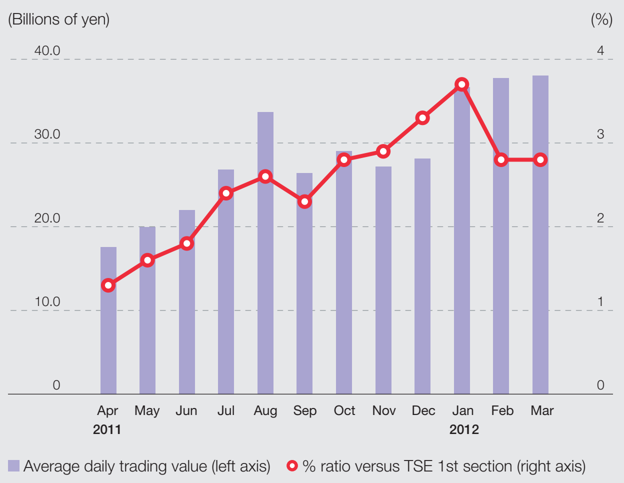
Acquisition of Targeted SBI FXTRADE Customers will Improve SBI Liquidity Market's Liquidity



on the First and Second Sections of the Osaka Securities Exchange, becoming Japan's second-largest market after Tokyo Stock Exchange. Along with the increase in trading volume, financial results of SBI Japannext have improved significantly. The operating loss for FY2011 decreased by ¥0.8 billion year-on-year to ¥0.3 billion, and the company achieved a monthly operating profit in May 2012 and is expected to be in the black for the full year in FY2012.

As of the end of June 2012, 19 securities companies were participating in the Japannext PTS platform and 2 more companies are scheduled to join in the near future. Furthermore, Japannext PTS is planning to introduce a new trading system in September 2012, so that it can switch to the world's fastest matching engine, which will improve the order response time from the current average of roughly 1 millisecond to the micro-second range.

Change in Average Daily Trading Value of Japannext PTS



* Trading value is based on "single count."

Yasutaro Sawada
Representative Director and President of SBI SECURITIES Co., Ltd.

Pursuing Services that are Truly Needed, Rather than Remaining Content as an Industry Leader

Since starting its Internet trading services in 1999, under the corporate mission of adherence to the customer-centric principle, SBI SECURITIES has achieved the top position in the online securities industry in terms of the number of accounts, customers' deposit assets, and stock-brokerage trading value. However, we will not be content to rest on our achievements to date, but rather will continue to pursue truly needed services.

Online securities brokerage services have traditionally been used primarily for stock transactions. However, looking ahead, I believe that using them for "savings-based investments," with a view to the long term, is likely to become more accepted. SBI SECURITIES is therefore focusing its efforts on savings-based products such as investment trusts. As part of such efforts, we have launched the "Jibun Nenkin" project, which translates as "my own pension" and refers to savings plans for one's own future pension payments. Specifically, we propose savings through monthly investments in mutual funds, in addition to offering mutual funds created exclusively for "Jibun Nenkin."

SBI SECURITIES also handles foreign stocks, with a focus on the emerging markets, in response to the global investment needs of individual investors. At the same time, we are broadening our partnerships with overseas securities companies by promoting the transference of our online securities trading system to these emerging economies.

Financial Services Business

In the Financial Services Business, the SBI Group is broadly expanding its lineup of Internet financial services to build a revenue base that is not dependent solely on the stock markets. By developing our Internet banking and Internet nonlife insurance businesses at an early stage as pillars of new businesses, and fully leveraging the synergistic effects amongst the SBI Group companies, we are endeavoring to increase earnings from these businesses to develop a stable revenue source.

Principal Companies		Business
SBI Holdings, Inc. (Financial Services Business Division)		Operating financial comparison websites for insurance, loans and other financial products
Morningstar Japan K.K.	JASDAQ (Code: 4765)	Providing financial information, primarily rating information on investment trusts
SBI Sumishin Net Bank, Ltd.		Internet bank jointly owned with The Sumitomo Trust & Banking Co., Ltd.
SBI Insurance Co., Ltd.		Internet nonlife insurer jointly owned with Aioi Nissay Dowa Insurance Co., Ltd., etc.

Financial Results of FY2011

The Financial Services Business consists of the marketplace business, the financial products business, the financial solutions business, as well as Morningstar Japan, SBI Insurance and other businesses. The marketplace business includes the operation of various websites, centering on loan and insurance comparison sites. The financial products business includes the provision of various financial services, and the financial solutions business includes the electronic settlement services for e-commerce firms.

At SBI Insurance, one of the core companies of the Financial Services Business, net sales grew as a result of an increase in the number of automobile insurance contracts. However, this was accompanied by an increase in the provision of policy reserve, resulting in an operating loss that reached ¥3.5 billion. Consequently, the Financial Services Business reported net sales of ¥43.4 billion for FY2011, up 42.0% from the previous year, and an operating loss of ¥2.6 billion.

Continued Earnings Contribution of the Marketplace Business (SBIH)

In the marketplace business, SBI Holdings operates Japan's largest financial comparison websites such as "InsWeb" and "E-LOAN." As the trend towards low-cost online services continues unabated in line with the increasing consumer propensity to save, the number of transactions for auto insurance estimates, loan applications and requests for materials at these websites totaled 874,000 for FY2011. As a result, the marketplace business recorded net sales of ¥5.2 billion for FY2011, continuing its contribution to overall performance.

Significant Increase in Profits Achieved at Morningstar Japan

Although net sales at Morningstar Japan were down 5.4% year-on-year, mainly due to a reduction in the number of *The Kabushiki Shimbun* published, the company achieved significant increases in all profit categories, with record high operating income and ordinary income. This primarily reflects growth in highly profitable services such as fund data and media solutions. In addition, the delisting and subsequent merger of Gomez Consulting allowed major reductions in listing-related and other costs.

Performance of Morningstar Japan

(Millions of yen, %)

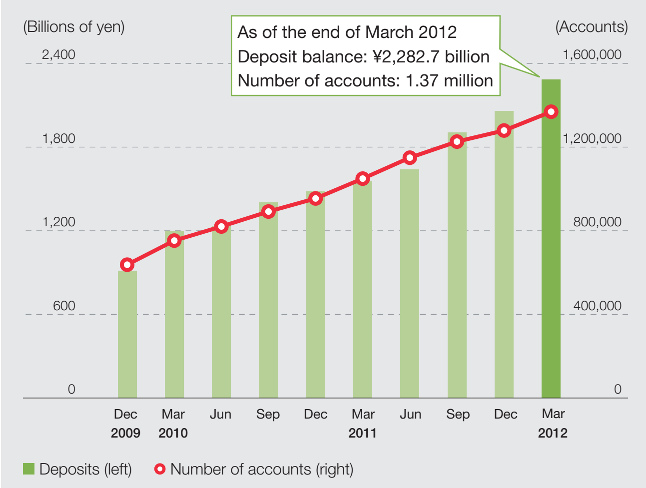
	FY2010	FY2011	YoY % change
Net Sales	2,326	2,199	–5.4
Operating Income	459	595	+29.5
Ordinary Income	569	701	+23.1
Net Income	305	382	+25.2

Continued Rapid Growth at SBI Sumishin Net Bank

SBI Sumishin Net Bank, an equity-method affiliate, has won the support of a broad range of customers by offering highly convenient banking services via the Internet, with the number of customer accounts surpassing 1.36 million in March 2012. In terms of deposit balance, the Bank became the top pure-play Internet bank in September 2011, with the balance exceeding ¥2.28 trillion in March 2012, and continues to grow steadily. The balance of foreign currency deposits accounted for ¥104.9 billion of this amount, as it rose steadily on the back of recent trends in the foreign exchange market. Moreover, in March 2012, the cumulative total of housing loans surpassed the ¥1 trillion mark, faster than any other pure-play Internet bank, as the customer base continues to steadily increase.

Diversification of its fund management capabilities is also progressing steadily. With respect to Internet loans, SBI Sumishin Net Bank has enhanced the appeal of its products, for example, offering cash back of up to two months of total interest to customers who take out a loan. As a result, the balance grew by a factor of 1.9 in the space of a year, reaching ¥37.5 billion as of the end of March 2012. Auto loans grew by a factor of 2.3 within the year, resulting in a cumulative total of ¥87.0 billion as of the end of March 2012.

SBI Sumishin Net Bank
Change in Deposits and the Number of Accounts



Seeking to Offer Enhanced Convenience and Appealing Services by Making the "Customer-centric Principle" the Starting Point for Conducting Business

Katsuya Kawashima
Representative Director and President of SBI Sumishin Net Bank, Ltd.

Since the start of its operations in September 2007, SBI Sumishin Net Bank has been working to offer an "Internet full-banking business that provides easier-to-use and more competitive products and services than any of our competitors, 24 hours a day and 365 days a year." As of the end of March 2012, approximately four and a half years after the launch of its business, SBI Sumishin Net Bank recorded a deposit balance of ¥2,282.7 billion, the largest among the pure-play Internet banks. We consider this to be a result of the strong reputation earned among customers by our various services and products, including the "SBI Hybrid Deposits," which combine the convenience of fund settlement for securities transactions and high interest rates.

Among major initiatives of FY2011, we began accepting housing loan applications as a banking agency for Sumitomo Mitsui Trust Bank in January 2012. This grew out of an increasing need to diversify our assets under management, from the standpoint of improving the security and long- and short-term balance of our portfolio as a bank, given that housing loans accounted for approximately 90% of total loans at SBI Sumishin Net Bank. By switching our web-based housing loans to a product provided as a banking agency of Sumitomo Mitsui Trust Bank, the only housing loans directly processed by SBI Sumishin Net Bank are via affiliated real estate businesses. In this way, we believe we can gradually reduce the ratio of assets under management accounted for by housing loan claims.

Other initiatives include the release of an application allowing bank transfers and balance inquiries on smartphones. Recognizing that responding to the rapid spread of smartphones is an important challenge, we will continue our efforts to improve the convenience of services by pressing ahead with an enhancement of functions that will permit a variety of transactions to be conducted via smartphones as well.

We have completed the 5th fiscal year since the launch of operations at SBI Sumishin Net Bank, and are on target for continued growth, as we steadily implement the management plan formulated at the time of establishment, fulfilling some aspects ahead of schedule. Going forward, we will continue to make maximal use of the convenience of the Internet in our efforts to provide appealing services, while making the customer-centric principle our starting point for conducting business.

As a consequence of the expanding customer base and favorable results in both deposits and lending, the Bank posted a 19.2% year-on-year increase in consolidated ordinary income to ¥34.6 billion, a 58.1% leap in ordinary profit to ¥5.8 billion, and a 45.4% increase in net income to ¥5.2 billion for FY2011. With regard to the consolidated performance of SBI Holdings, SBI Sumishin Net Bank's contribution to ordinary income, on the basis of the equity-method, amounted to ¥2.6 billion. The Bank has achieved the initial target set at the start of its operations, of its dissolution of accumulated losses by the 5th fiscal year, and is expected to maintain its continued trend of increasing profits.

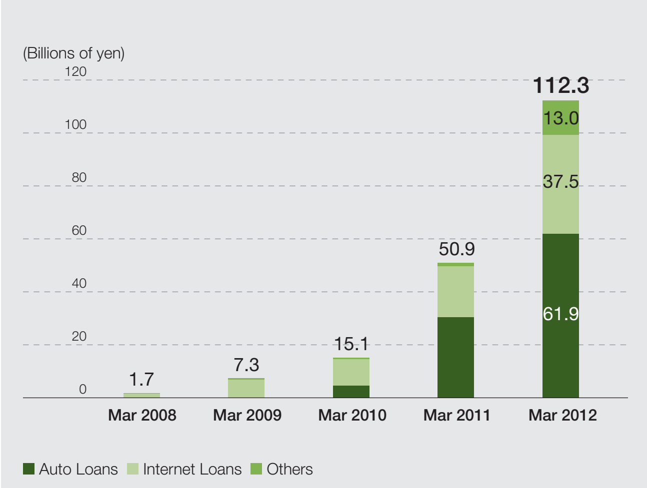
Growing Number of Contracts at SBI Insurance

At SBI Insurance, the number of automobile insurance contracts that are switching from large and middle-sized insurance companies is growing. This is leading to a steady increase in gross direct premiums, as well as in the number of insurance contracts. The number of automobile insurance contracts sustained a high rate of growth, climbing 41.1% year-on-year to reach approximately 392,000 contracts by the end of March 2012, for a compound annual growth rate (CAGR) of 110.1% from the end of March 2009 to the end of March 2012. In addition, gross direct premiums jumped 45.8% year-on-year to approximately ¥14.6 billion for FY2011.

A net loss of approximately ¥5.4 billion was recorded for FY2011, reflecting roughly ¥7.0 billion recorded as provision of policy reserve. The nature of the insurance business is characterized by a start-up period of rapid year-on-year growth in insurance premium income, during which the burden of policy reserve grows, causing an increase in accounting loss. Policy reserve is a reserve that is required to be set aside for a certain period as a source of payment for insurance claims, and increases in proportion to the amount of insurance premium income. In FY 2011 in particular, the policy reserve grew considerably, owing to the increased number of insurance contracts and the step-up in the termination of the reinsurance agreement that was carried out to move into the next phase of the revised business plan, toward early profitability. The policy reserve is reported as debt, and is not an expense that is cashed out in total. Operating cash inflow for the fiscal year was approximately ¥1.4 billion, achieving profitability for the first time since the company's founding.

The reinsurance agreement and outsourcing agreement with Aioi Nissay Dowa Insurance were terminated in order to turn a profit promptly and to increase future profits. Initially, SBI Insurance entered the reinsurance agreement with the main goal of offsetting the underwriting risk and reducing the financial burden during the start-up period. However, as the number of contracts increased,

Consumer Loan Balance



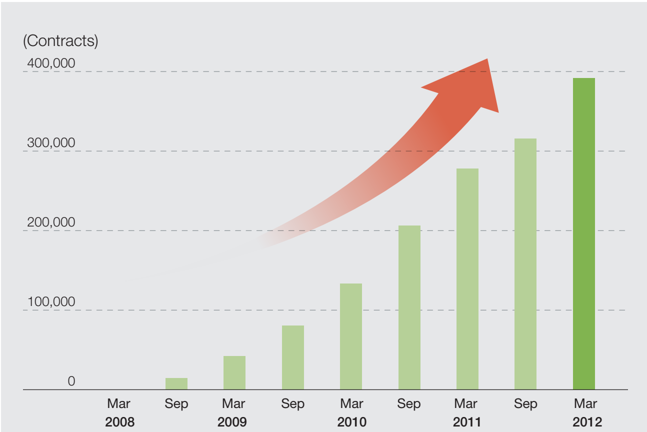
Pure-play Internet Banks' Financial Results for FY2011

Billions of yen; parenthetic figures are year-on-year % change.
The number of accounts is in thousands.

	Deposit Amount	Balance of Loans	Number of Accounts	Ordinary Profit	
SBI Sumishin Net Bank (Launched in September 2007)	2,282.7	954.0	1,369	5.8	(+59.2)
Sony Bank (Launched in June 2001)	1,762.2	835.5	890	4.0	(+19.4)
Daiwa Next Bank (Launched in May 2011)	1,432.8	31.6	486	–0.4	(–)
Rakuten Bank (Launched in July 2001)	758.3	164.1	3,980	6.6	(+180.9)
Japan Net Bank (Launched in October 2000)	494.4	26.9	2,345	2.2	(+9.1)
Jibun Bank (Launched in July 2008)	349.7	15.4	1,365	–4.9	(–)

* Non-consolidated results. The number of accounts is as of the end of Mar. 2012. Amounts are rounded down to the nearest 100 million yen or thousand accounts.

Change in the Number of Insurance Contracts (Written Basis*)/ Cumulative



* Written Basis: Completion of receiving transaction of insurance premiums

SBI Insurance was able to undertake the risk of underwriting insurance on its own, and so new purchases of reinsurance were terminated on March 31, 2011. Consequently, gross profit is expected to grow as a result. The outsourcing agreement was terminated in FY2011, and the call center and other operations were brought in-house. Under the outsourcing agreement, SBI Insurance had paid the amount of insurance premium income multiplied by a fixed ratio as an agent service fee. By terminating the agreement and bringing operations in-house, it will be better positioned to cope with the increase in operating costs associated with the growth in the number of contracts.

SBI Insurance enjoys an extremely high reputation among customers, as it has been ranked No. 1 across multiple fields on customer satisfaction surveys carried out by various media outlets. For example, SBI Insurance ranked No. 1 in the FY2011 "Oricon Customer Satisfaction Ranking" in the "Auto Insurance Premiums" category for the third consecutive year, and also ranked No. 1 overall in the Rakuten Insurance "Auto Insurance Customer Satisfaction for Accident Response Ranking FY2011." These results demonstrate that our efforts to improve customer satisfaction have borne fruit.

Reduction of Operating Deficits at SBI Card

The operating loss at SBI Card for FY2011 was ¥2.7 billion, recording an improvement of ¥0.8 billion from the previous fiscal year's ¥3.5 billion. This is due to its cost-cutting measures, including the consolidation of operation centers and the reduction of promotions.

SBI Card split off the consumer credit business of the former Equal Credit through a corporate divestiture as of July 1, 2012, and will be dedicated to the credit card business. Going forward, we will continue to review the business, and endeavor to increase the amount used per person by offering cards with superior rewards and convenience, as we seek to achieve profitability at an early date.

Hiroyoshi Kido
Representative Director and President of SBI Insurance Co., Ltd.

As "A Nonlife Insurance Industry Innovator"

Since its founding in January 2008, SBI Insurance has offered its customers automobile insurance at affordable premiums, through a thorough implementation of low cost operations that make maximal use of the Internet, based on the know-how and experience accumulated by the SBI Group in the online financial services business. Under the management policy of "winning customer trust," we have made concerted efforts to improve quality, with respect to services such as our arrangements for accident support. As a result, we have achieved remarkable growth in both the number of insurance contracts and insurance premium income.

With the implementation of operational reforms, such as the termination of the reinsurance agreement with Aioi Nissay Dowa Insurance, and bringing the call center operations in-house, we have laid the cornerstone for future profits in FY2011. Furthermore, we will pursue an even greater expansion of the business by diversifying the earnings structure through the development of products to suit customers' lifestyles, needs, and diversification of risk, while utilizing sales channels other than the Internet.

As a nonlife insurance industry innovator, we will continue to seek out groundbreaking services, in order to contribute to society through the nonlife insurance business.

Housing and Real Estate Business

The Housing and Real Estate Business encompasses the development and sale of properties for investment purposes, in addition to the provision of real estate-related financial services, including lending and agency services for housing loans and real estate secured loans, and the operation of websites offering a variety of lifestyle-related information and services.

Principal Companies		Business
SBI Holdings, Inc. (Real Estate Business Division)		Mainly real estate investments and development projects in Japan and overseas markets
SBI Mortgage Co., Ltd.	KOSPI of KRX (Code: 950100)	Provision of long-term fixed-interest (to be securitized) housing loans
SBI Life Living, Inc.	Mothers Market of TSE (Code: 8998)	Development, planning, design and sales of income-producing properties for investors/Operations of lifestyle comparison websites
CEM Corporation		Provision of real estate secured loans for individuals and companies

Financial Results of FY2011

The Housing and Real Estate Business consists of three businesses: the real estate business, the financial real estate business and the lifestyle networks business. In FY2011, net sales declined 4.3% year-on-year to ¥22.5 billion, while operating income rose 0.4% year-on-year to ¥3.4 billion, of which SBI Mortgage accounted for ¥2.6 billion. These results reflect segment growth supported by the strong performance in the lifestyle networks business, despite the impact of the Great East Japan Earthquake and other factors.

Performance of Publicly Owned Subsidiaries for FY2011

Millions of yen. Figures in parentheses are year-on-year % change

	Net Sales	Operating Income	Ordinary Income	Net Income
SBI Mortgage	9,522 (–0.4)	2,587 (–11.0)	2,615 (–11.1)	1,465 (–26.9)
SBI Life Living	5,677 (–12.1)	744 (+15.3)	646 (+25.0)	644 (+66.4)

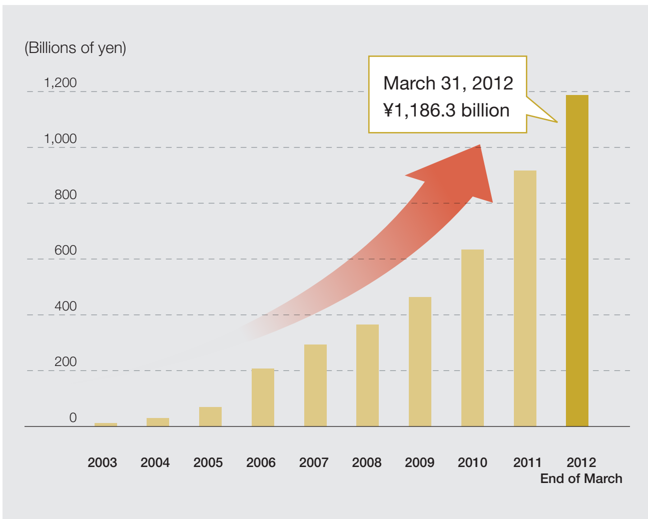
Real Estate Business (SBIH, SBI Life Living and Others)

The Real Estate Business, which involves the development and sale of real estate, etc., recorded net sales for FY2011 of ¥9.7 billion, down 6.1% from the previous fiscal year. This was primarily due to a slowdown in the construction related business (building contract) at SBI Life Living. As of the end of March 2012, real estate inventories held by the SBI Group had decreased by ¥5.1 billion year-on-year to ¥11.7 billion. This breaks down to ¥3.9 billion in real estate for sale, ¥6.4 billion in real estate for sale in progress, and ¥1.4 billion in real estate for development. Going forward, we will sell our real estate holdings incrementally, while closely monitoring trends in the market.

Financial Real Estate Business (SBI Mortgage, CEM Corporation)

SBI Mortgage offers its “Flat 35” long-term, fixed-rate housing loans in cooperation with the Japan Housing Finance Agency. Despite a significant drop in the numbers of new housing loans in the immediate aftermath of the earthquake, steady recovery has been shown in each quarter, and SBI Mortgage extended new housing loans totaling ¥369.3 billion for the full year in FY2011, up 5.6% from the previous fiscal year. SBI Mortgage ranked No. 1 in terms of the number of housing loans issued, accounting for a 13.1% share of loans extended by the 336 financial institutions participating in the “Flat 35” scheme. The balance of loans extended by the company amounted to ¥1,186.3 billion at the end of March 2012. In addition, in April 2012, SBI Mortgage became the first Japanese company to list on the KOSPI Market of the Korea Exchange.

Balance of Housing Loans at SBI Mortgage



Lifestyle Networks Business (SBIH, SBI Life Living and Others)

The Lifestyle Networks Business includes the operation of an intermediary website for a wide range of lifestyle-related products and services, as well as the operation of a website providing comparison, search and estimation services. Sales in the business grew 11.0% year-on-year to ¥1.7 billion. We had concerns that the Ticket Ryutsu Center ("Ticket Distribution Center"), operated by SBI Life Living would be temporarily affected by cancellations and postponements of entertainment events due to the impact of the Great East Japan Earthquake. However, there was a rapid recovery beginning in August, and the company's Internet media business recorded the highest earnings on a single-month basis in December 2011, resulting in a major boost to overall performance at the company.

Ticket Ryutsu Center ("Ticket Distribution Center")

Noriaki Maruyama

Representative Director, President, CEO and COO of SBI Mortgage Co., Ltd.

Listing on the KOSPI Market of the Korea Exchange Developing the Business with a View to Making Inroads in Korea

"With variable-rate housing loans accounting for the majority of loans, Japan's housing loan market is unbalanced. We want to make it sound." With that guiding thought, SBI Mortgage launched operations in May 2001 as Japan's first mortgage bank, a financial institution specializing in housing loans using securitization as a financing instrument. Marking the 10th anniversary of its founding in May 2011, SBI Mortgage has continued to provide long-term fixed-rate housing loans at the industry's lowest interest rates, including its mainstay product "Flat 35," offered in collaboration with the Japan Housing Finance Agency. The company enjoys the support of many customers, reflected in its housing loan balance that reached ¥1,186.3 billion as of the end of March 2012.

Since the launch of our franchise face-to-face shops in 2007, we have rapidly expanded our face-to-face retail sales channels, with the number of shops reaching 119 at the end of March 2012.

Going forward, SBI Mortgage will continue to develop and provide suitable products for customers. In that view, in July 2012, SBI Mortgage became the first company in Japan to offer the "Flat 35" Reform Pack, thereby entering the renovation loan business, following the national vision for improving the quality of existing houses.

Furthermore, in April 2012, SBI Mortgage became the first Japanese company to list on the KOSPI Market of the Korea Exchange, which corresponds to the First Section of the Tokyo Stock Exchange. Utilizing the experience that we gained by cultivating a market from scratch as Japan's first "mortgage bank," we will establish the first "mortgage bank" in Korea as well, and seek to develop the business in this new frontier.

We will endeavor to create even more innovative services and businesses, while adhering to the customer-centric principle, as we continue to take on challenges.

Column

Biotechnology-related Business as the Growth Field of the Future

5-ALA Related Business (SBI Pharmaceuticals/SBI ALApromo)

The SBI Group, focusing on the possibilities of 5-ALA (5-aminolevulinic acid) for the human body, established SBI ALApromo (currently SBI Pharmaceuticals) in April 2008, for the purpose of finding applications for 5-ALA in medicines. The health foods and cosmetics that use 5-ALA are sold by SBI ALApromo as before. These health foods and cosmetics have already been well received. The Monde Selection 2012, for example, awarded NatuALA-Bio and NatuALA-BCAA the gold prize in its food supplements category, and ALAPlus Essential Lotion and ALAPlus Moisturizing Cream the silver prize in its facial products category.

• Medical Field Research, Development and Overseas Expansion

Along with the 5-ALA research, development and commercialization in health foods and cosmetics, progressive research is being conducted into the pharmaceutical potential of 5-ALA.

medac GmbH, a German business partner of SBI Pharmaceuticals, obtained approval from the European Medicines Agency (EMA) for a brain tumor diagnostic agent containing 5-ALA, and has already marketed the agent in 27 European countries. The diagnostic agent also received orphan drug designation in Japan in September 2010, and in July 2012 an application was made to the Japanese Ministry of Health, Labour and Welfare, for manufacturing and marketing approval for the agent. In addition, clinical trials to be carried out in several fields, are about to get underway in Japan, the United States and Europe in partnership with a Contract Research Organization (CRO) abroad.

The research is conducted in a wide range of fields. The University of Hawaii published the results of clinical studies on the relationship between 5-ALA and glucose levels in June 2012. 5-ALA has become a major focus of attention, with potential other applications being investigated in several fields, such as the suppression of accumulation of body fat in an experiment with cells and animals, antiproliferative effect for the malaria parasite, and the suppression of inflammatory cytokine which can be a direct fatal cause of sepsis.

Moreover, in April 2012 SBI Pharmaceuticals reached a basic agreement for a close partnership with the government of Bahrain, to promote 5-ALA related research and development in Bahrain and other states of the Gulf Cooperation Council (GCC), and to proliferate its use throughout the region. A license to manufacture and sell health foods in Bahrain was granted by the Ministry of Health of the Kingdom of Bahrain, and preparations are underway to register the product throughout the entire GCC region.

Overseas expansion is also taking place in the Philippines, where in January 2012 a health food product registration certificate was granted by the Food and Drug Administration (FDA) of the Philippines. Preparations for product launch in the Philippines are now underway, in collaboration with local firms. In China, a basic agreement was reached in June 2012 with SuZhou YiAn Biotech Co., Ltd., in which the SBI Group will invest, to establish a joint venture for the purpose of marketing medicines, health foods and cosmetics containing 5-ALA.

What is 5-ALA (5-aminolevulinic acid)?

5-ALA is an amino acid formed in mitochondria. It is an important substance that serves as protein material related to energy production in the form of hemes and cytochromes. 5-ALA is contained in shochu distillation remnants, red wine and food, such as radish sprouts. It is also known as a material forming chloroplasts in plants.

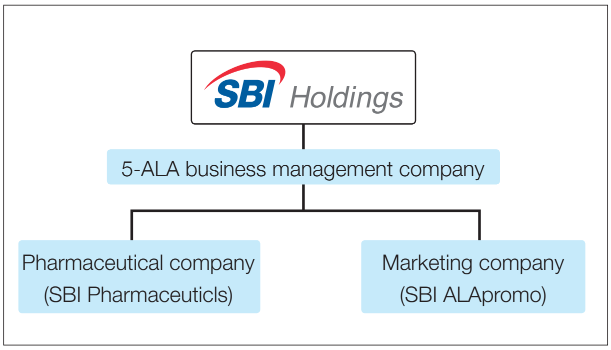
The SBI Group regards biotechnology as a next-generation core industry. In addition to our biotechnology investments, the SBI Group has been engaged in biotechnology-related businesses through the operations of SBI Pharmaceuticals, SBI ALApromo and SBI Biotech.

The Biotechnology-related Business is regarded as one of the three core business segments of the SBI Group, with the 5-ALA related business in particular positioned as its most promising growth area, and we are moving ahead with global development in cosmetics, health foods, and drug discoveries.

• New Organizational Structure for 5-ALA Related Business

In February 2012, following the completion of Phase III clinical testing for an intraoperative diagnostic agent for brain tumors, in consideration of the possibility that this agent might be approved as a drug, the former SBI ALApromo obtained a license to manufacture and sell Class 1 Over-The-Counter (OTC) drugs. In April 2012, the former SBI ALApromo took the opportunity to change its corporate name to SBI Pharmaceuticals Co., Ltd., to become a pharmaceutical company for research and development of medicines, etc. Meanwhile, the new SBI ALApromo was established as a marketing company for supplements and cosmetics. With the sales and production businesses thus separated, the new organizational structure allows independent focus by SBI Pharmaceuticals and SBI ALApromo on their respective businesses. Under the new organizational structure, the SBI Group will dedicate itself to further expanding 5-ALA related business through vigorous promotion of its overseas operations, to become one pillar of the Group's profitability.

New Organizational System for the 5-ALA Related Business



SBI Biotech

SBI Biotech is a bio-venture founded with Dr. Kenichi Arai (professor emeritus of the University of Tokyo, and former Dean of the Institute of Medical Science, University of Tokyo) as its President and CEO. The company is primarily engaged in the research and development of novel drugs for cancer, autoimmune diseases, etc.

SBI Biotech has formed business alliances with overseas bio-ventures and research institutes, which provides advantages in implementing its current projects.

For example, in the field of immunomodulator therapy (nucleotide drugs), SBI Biotech has partnered with Changchun Huapu Biotechnology Co. Ltd., a drug development venture originating at the Jilin University, China, to conduct Phase I clinical trials at a number of U.S. universities. In the same field, SBI Biotech is also gearing up for joint clinical studies after a request from a North American medical practitioners' group for treatment of acute childhood leukemia. In the field of immune cell therapy, SBI Biotech has an agreement with Baylor Research Institute of the United States, under which it is conducting Phase II clinical trials in patients with melanoma in the United States. Meanwhile, in Japan, SBI Biotech began clinical trials at Kyoto University Hospital in July 2011.

At the same time, SBI Biotech is pursuing internal R&D projects into antibodies for cancer and autoimmune diseases. For one research project, SBI Biotech has aligned itself with MedImmune LLC of the United States (part of the AstraZeneca Group), while in another project it is negotiating tie-ups with leading domestic and overseas pharmaceutical companies. SBI Biotech is also working on the development of a novel cancer therapy, and in April 2010 filed an international patent application for research in partnership with CrystalGenomics, Inc. of South Korea.

Biotechnology-related Investee Companies

Drug research and development at biotechnology-related investee companies of the SBI Group is also progressing steadily.

Acucela Inc. of the United States, in which the SBI Group has had a stake since October 2003, with a 15.27% (dilutive shares included: 21.80%) shareholding as of the end of March 2012, performs drug development research in applications for the patented visual cycle modulators (VCM). Drugs for dry advanced macular degeneration (Dry AMD) using VCM compounds received fast track designation from the U.S. FDA in March 2010, and have become a focus of media attention, including that of Nikkei Business Magazine.

The SBI Group has also acquired a 16.8% shareholding (as of the end of December 2011) in Kadmon Holdings, LLC of the United States. Kadmon has already started selling treatment drugs for hepatitis C, and has steadily progressed to the clinical trial stage with research and development it has done on drug treatments for liver disease and tumors.

2011

April

- SBI SECURITIES Co., Ltd. acquired a 20% stake in FPT Securities Joint Stock Company, a major securities company in Vietnam
- Became the first company incorporated in Japan to list on the main board of the Hong Kong Stock Exchange, by way of Hong Kong Depositary Receipts (HDR)
- Acquired a 2.74% stake in Kingston Financial Group Limited, a securities company in Hong Kong

May

- Jointly established a fund to invest in Turkish private equities with Abu Dhabi government-owned financial services company Invest AD—Abu Dhabi Investment Company
- Established a representative office in Kuala Lumpur, Malaysia

June

- Acquired a 50% stake in Obibank Ltd., a Russian commercial bank
- Established CSJ-SBI Financial Media Co., Ltd., a joint venture with China's national China Securities Journal to offer a Sino-Japan economic and financial news service, advertising, and website development businesses

July

- Gomez Consulting Co., Ltd. was merged with Morningstar Japan K.K.
- SBI SECURITIES Co., Ltd. acquired a 25% stake in PT BNI Securities, a major securities company in Indonesia
- Jointly established a fund to invest primarily in unlisted private equities in China, Taiwan, and Hong Kong with Shin Kong Group, a major financial group in Taiwan, and Nan Fung Group, a major real estate group in Hong Kong

August

- Balance of housing loans at SBI Mortgage Co., Ltd. topped ¥1 trillion

September

- Jointly established a fund focused on investment in China, Taiwan, and Hong Kong region with Hong Kong-based Kingston Financial Group Limited

November

- Basic agreement reached with Shanghai Yidian Holding (Group) Company to jointly establish an investment fund primarily targeting the Chinese information industry
- SBI Investment Co., Ltd. entered a basic agreement to offer RHB Banking Group, a major financial services group in Malaysia, investment management advisory services for its "Asia CleanTech Fund"
- Announced buy-back of up to 370,000 of the Company's own shares, at a cost of up to ¥2.0 billion (Actual period of share buy-back: November 30, 2011 to December 5, 2011)

December

- SBI Investment Co., Ltd. and KLab Inc. jointly established KLab Ventures, Inc. to engage in venture capital business focused primarily on investments in Internet companies
- Total deposit balance at SBI Sumishin Net Bank, Ltd. exceeded ¥2 trillion

A Hong Kong Stock Exchange billboard announces the listing of SBI Holdings' HDRs

Members of project to launch Internet banking business at Obibank Ltd.

Japanese website of China Securities Journal, operated by CSJ-SBI Financial Media Co., Ltd.

2012

January

- SBI Pharmaceuticals, Co., Ltd. received certification of product registration for health foods granted by Philippine government
- Basic agreement reached with local partners in India to jointly establish “Nirvana Digital India Fund” to invest in unlisted companies in the IT field in India
- Executed a memorandum of understanding with PhillipCapital, a major integrated financial services group in Singapore, concerning broad business collaborations focusing on financial business
- Formed a strategic business alliance with OSK Investment Bank Berhad, a major securities group in Malaysia

Signing ceremony of an agreement between SBI Pharmaceuticals Co., Ltd. and Bahrain Government

February

- Acquired 100% ownership of SBI Net Systems Co., Ltd.
- Additionally acquired an 83.1% stake in Shinsai Partners Inc. (currently SBI SSI Co., Ltd.)
- Entered a basic agreement with Mahindra Satyam of the Mahindra Group, one of the top ten businesses based in India, to jointly invest in companies in the information and communications technology field around the world
- SBI Pharmaceuticals Co., Ltd. obtained First-class Marketing Authorization to conduct business as a pharmaceutical company in Japan

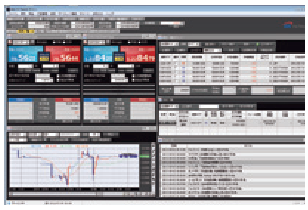
March

- Value of housing loans transacted by SBI Sumishin Net Bank, Ltd. exceeded ¥1 trillion
- The China business management company, SBI (China) Co., Ltd., commenced business in Dalian
- Transferred all shares of SBI VeriTrans Co., Ltd., to a subsidiary of Digital Garage, Inc., and entered a basic agreement to form a business alliance with Digital Garage, Inc. to develop its investment and incubation business globally

Participants at the First SBI Global Strategic Conference

April

- Executed a memorandum of understanding among Coway International TechTrans Co., Ltd., a member of the Tsinghua University group, and Auto Server Co., Ltd., on the establishment of a joint venture for an online used car auction business in China
- SBI Pharmaceuticals Co., Ltd. entered a basic agreement for promotion of the 5-ALA business with the Bahrain Government
- Subscribed to US $30 million worth of shares as a cornerstone investor in major Chinese securities company, Haitong Securities Co., Ltd., on the occasion of its company’s listing on the Hong Kong Stock Exchange
- SBI Mortgage Co., Ltd. listed on the KOSPI Market of the Korea Exchange



Transaction page of SBI FXTRADE Co., Ltd. website

May

- The First SBI Global Strategic Conference held in Hong Kong, attended by the newly appointed members of the board of directors of the Hong Kong subsidiary, including a number of members representing the Group’s overseas partner companies.
- Announced buy-back of up to 380,000 of the Company’s own shares, at a cost of up to ¥2.0 billion (Actual period of share buy-back: May 25, 2012 to June 13, 2012)
- SBI FXTRADE Co., Ltd., a foreign exchange trading company commenced business
- Jointly established a fund with Edelweiss Financial Services Ltd., an integrated financial services company in India, to invest in small and mid-cap listed companies in India
- Reached a basic agreement with Netherlands Development Finance Company Financierings-Maatschappij voor Ontwikkelingslanden (FMO) to jointly establish a fund to invest primarily in financial institutions in Asia

June

- Established SBI Capital Management Co., Ltd. as an intermediate holding company with subsidiaries engaged in the asset management business; and SBI FINANCAL SERVICES Co., Ltd., as an intermediate holding company bringing together Group companies engaged in financial services
- Implemented reorganization of face-to-face sales businesses centering on SBI MONEY PLAZA Co., Ltd., and transferred the face-to-face division of SBI SECURITIES Co., Ltd. to SBI MONEY PLAZA Co., Ltd.

Board of Directors

(As of July 31, 2012)

Representative Director, President & CEO

Yoshitaka Kitao

Director and Chairman of SBI SECURITIES Co., Ltd.
Representative Director and CEO of SBI Investment Co., Ltd.
Director of Morningstar Japan K.K.
Director of SBI Capital Management Co., Ltd.
Director of SBI FINANCIAL SERVICES Co., Ltd.
Representative Director of SBI Hong Kong Holdings Co., Limited

Director, Senior Executive Vice President & COO

Taro Izuchi

Representative Director and President of SBI FINANCIAL SERVICES Co., Ltd.
Representative Director and President of SBI MONEY PLAZA Co., Ltd.

Director & Senior Managing Executive Officer

Takashi Nakagawa

Representative Director and COO of SBI Investment Co., Ltd.
Representative Director and President of SBI Capital Management Co., Ltd.

Director & Managing Executive Officer

Tomoya Asakura

Representative Director and President of Morningstar Japan K.K.

Director, Managing Executive Officer & CFO

Shumpei Morita

Representative Director and President of SBI Business Solutions Co., Ltd.
Representative Director and CEO of SBI Card Co., Ltd.

Director & Executive Officer

Noriaki Maruyama

Representative Director, President, CEO and COO of SBI Mortgage Co., Ltd.

Director & Executive Officer

Peilung Li

The Chief Representative of the Company's Representative Office in Shanghai
Director and CEO of CSJ-SBI Financial Media Co., Ltd.

Director

Yasutaro Sawada

Representative Director and President of
SBI SECURITIES Co., Ltd.

Director

Hiroyoshi Kido

Representative Director and President of
SBI Insurance Co., Ltd.

Director

Noriyoshi Kimura

Executive Officer and CTO of SBI
Sumishin Net Bank, Ltd.

Director

Hiroshi Tasaka

Representative Director of
SophiaBank, Limited
Professor of Tama University
Graduate School

Director

Takashi Okita

Representative Director, Executive Officer,
and CEO of VeriTrans Inc.
Representative Director and Co-CEO of
iResearch Japan Co., Ltd.
Representative Director and CEO of SBI
NaviPlus Co., Ltd.

Director

Masaki Yoshida

Representative Director of YOSHIDAMASAKI INC.
Representative Director and Chairman of
Watanabe Entertainment Co., Ltd.
Outside Director of Giga Media Inc.

Outside Director

Kiyoshi Nagano

Outside Statutory auditor of Shin-Etsu
Chemical Co., Ltd.
Outside Auditor of LEC, INC.

Outside Director

Keiji Watanabe

Independent Outside Director of ASAHI
KOGYOSHA CO., LTD.
Outside Director of Aoyama Zaisan
Networks Co., Ltd.

Outside Director

Akihiro Tamaki

Representative Director of SiFA Co., Ltd.
External Corporate Auditor of Avex
Group Holdings Inc.

Outside Director

Masanao Marumono

Counsel for SMBC Green Service Co., Ltd.
Outside Statutory Auditor of GINSEN CO., LTD
Vice-President of Japan Association of
Employers of Persons with Severe Disabilities

Standing Statutory Auditor

Atsushi Fujii

Outside Statutory Auditor of SBI
SECURITIES Co., Ltd.
Statutory auditor of SBI Investment Co., Ltd.
Statutory auditor of SBI Capital
Management Co., Ltd.
Statutory auditor of SBI FINANCIAL
SERVICES Co., Ltd.

Outside Statutory Auditor

Ryujiro Shimamoto

Statutory auditor of SBI Lease Co., Ltd.
Statutory auditor of SBI MONEY PLAZA Co., Ltd.

Statutory Auditor

Minoru Tada

Outside Statutory Auditor of SBI
SECURITIES Co., Ltd.
Statutory auditor of SBI FINANCIAL
SERVICES Co., Ltd.

Outside Statutory Auditor

Hisashi Hayakawa

Outside Standing Statutory Auditor of SBI
Insurance Co., Ltd.
Statutory auditor of SBI Capital
Management Co., Ltd.

In order to ensure transparency of management and corporate governance, SBIH recognizes that one of its most crucial management issues is to establish, maintain, and improve upon an organizational structure capable of responding quickly to changes in the business environment, as well as a shareholder-oriented and fair management system.

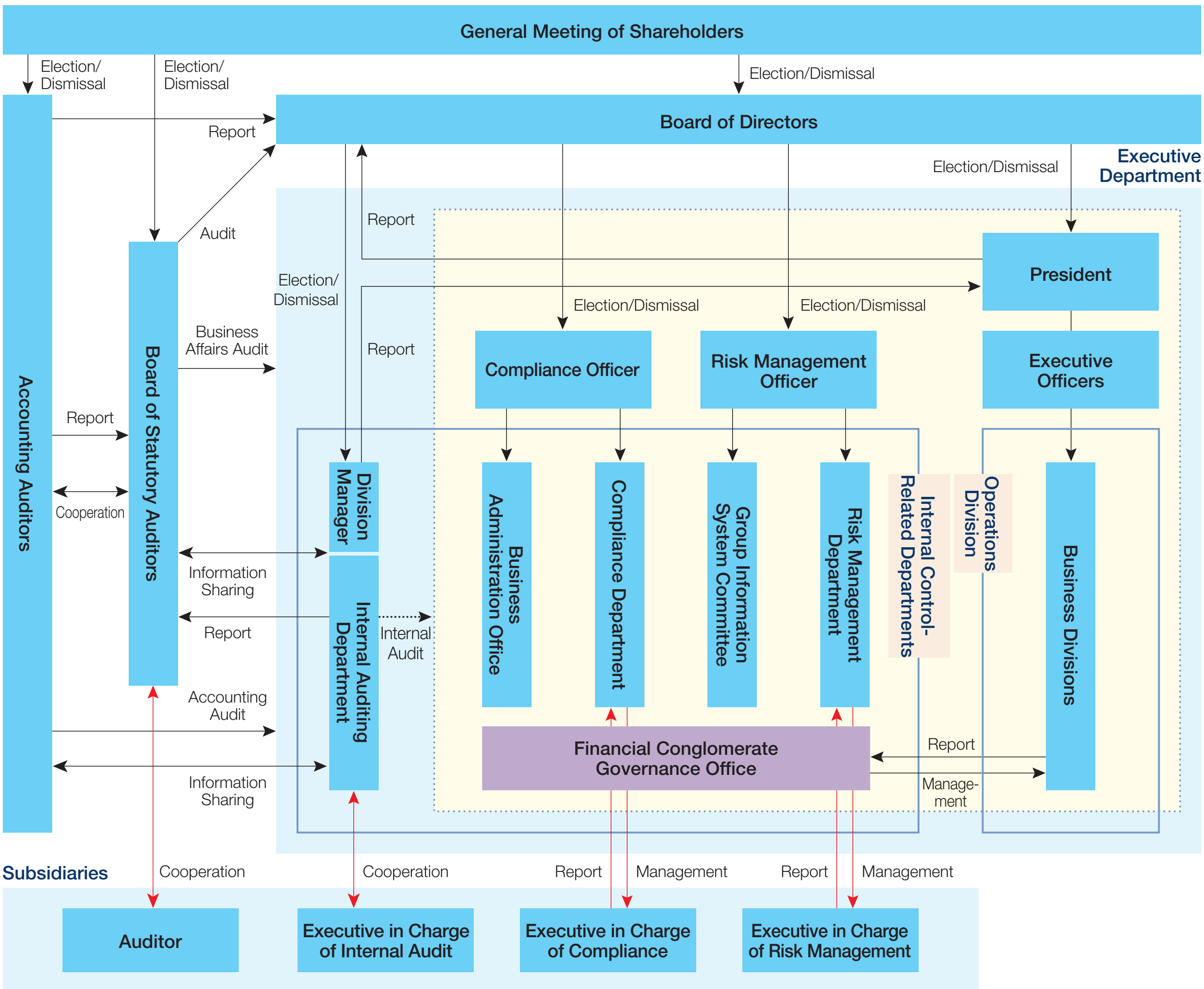
Basic Framework for Corporate Governance

SBIH's Board of Directors consists of 17 directors (as of June 28, 2012), and the Company has adopted the Executive Officer System. A total of 15 individuals, comprising 7 Directors and Executive Officers including the Representative Director, President & CEO, who control each business department, and 8 Executive Officers, have been appointed and are charged with managing the execution of business affairs to clarify the functions and responsibilities of Directors, Executive Officers and the Board of Directors, as well as to respond promptly and flexibly to sudden changes in the business environment. As a general rule, the Board of Directors makes decisions on important matters and monitors the execution of business operations by convening once a month and holding extraordinary meetings when necessary. SBIH has appointed 4 Outside Directors, with each having a high degree of independence and no conflicts of interest with general stakeholders, to fortify the supervision of management appropriateness.

The Board of Statutory Auditors, which comprises 4 members all proficient in financial affairs and includes 2 Outside Statutory Auditors, organically combines the audits performed by each Statutory Auditor, the Internal Auditing Department and the Accounting Auditors in an effort to maintain the appropriateness of corporate governance.

Based on the above, we believe that the current system allows us to adhere to the basic principles of corporate governance, namely to preserve the transparency of management and execute management's third-party accountability.

The Company's Functions and Internal Controls



(As of June 28, 2012)

Initiatives for Strengthening Corporate Governance

Internal Control System

SBIH has established an internal control system to enhance the transparency of management and corporate governance. The Company is devoting its efforts to the system in recognition of the importance of executing business operations based on a sound internal control system in order to ensure appropriate corporate governance. The Representative Director takes the lead in ensuring that all officers and employees are aware that, together with working to maintain that system, realizing the Company's Corporate Mission and Vision assume legal compliance and ethical codes of conduct.

Specifically, this involves regular meetings of the Board of Directors as well as irregular meetings in accordance with regulations of the Board to facilitate close communication among the Directors and the supervision of the execution of duties of the Representative Director. In addition, SBIH appoints a Compliance Officer, has established the Compliance Department reporting directly to the Compliance Officer and sees that the Department makes efforts in identifying compliance issues and problems. Further, SBIH has established an internal whistleblowing system to enable Directors and employees to report directly to the Internal Auditing Department and Statutory Auditors of any violation against laws, regulations and the Articles of Incorporation and any other important fact relating to compliance. In order to identify compliance issues and problems and ensure appropriateness of operations in the SBI Group, SBIH ensures that the Compliance Officer and the Compliance Department work in cooperation with Compliance Officers of the SBI Group companies and holds a group-wide committee for exchanging information on compliance.

Risk Management System

SBIH manages risks that may impede the execution of business operations or the attainment of our Corporate Mission and Vision. The Board of Directors appoints a Risk Management Officer in accordance with crisis management, risk management, and group risk management regulations. In addition, the Risk Management Department was established to identify, properly evaluate, and manage risks on a cross-sectional basis for the entire Group, including SBIH.

In the event of a potential or actual management crisis that could threaten SBIH's existence, the Risk Management Officer appointed by the Board of Directors would spearhead a gathering of pertinent information and consider and implement countermeasures and measures to prevent recurrences, while also reporting and disclosing information to related parties. For all the processes involved in SBIH's business activities, we have in place a mutual checking framework involving multiple departments and aspire to ensure operations that conform to not only the respective laws and regulations but also to agreements, terms, and other rules, all as part of the overall system to maximize compliance efforts.

With regard to information management and system risk, SBIH has in place a Group Information System Committee chaired by the Risk Management Officer and composed of members appointed from each of the divisions. The committee is engaged in efforts to maintain an overall information system including the management of customer information and to reinforce the system-risk management system. From the perspective of business continuity in particular, SBIH has put in place a system that readily responds to any type of contingency through making use of a back-up structure that incorporates dual systems and back-up sites.

Internal Audits, Audits by Statutory Auditors and Accounting Audits

(Internal Audits)

SBIH has organized the Internal Auditing Department, which is independent from both of the Operations Division and the Administrative Division. The department comprehensively and objectively evaluates whether the state of internal control is appropriate. In regard to the issues raised from the audit's results, it implements proposals and follow-ups so that improvements can be made. At the time audits are implemented, the department may also draw upon the assistance of outside specialists besides the employees, if required. Audit results are reported immediately after each audit's conclusion to the Board of Directors via the Representative Director, and also periodically to the Statutory Auditors.

The Internal Auditing Department is comprised of a dedicated General Manager and other employees (total of 7) who are specialists in audits (internal audits, accounting audits, internal control and other).

The department works in close association with the Board of Statutory Auditors and Accounting Auditors. For example, it periodically provides reports to the Board of Statutory Auditors, after completing each internal audit. The department also organically exchanges opinions with the Board of Statutory Auditors and incorporates requests from the Board in determining audit themes and scope. Whenever necessary, the Internal Auditing Department shares information with the Accounting Auditors, particularly with respect to areas related to internal control over financial reporting.

(Audits by Statutory Auditors)

Statutory Auditors are independent of the Company's executive bodies and bear the responsibility of securing trust from society by establishing a sound corporate governance system based on audits performed over the executive actions of Directors. The Board of Statutory Auditors of SBIH is comprised of 4 Auditors, including 2 Outside Statutory Auditors. Of the 4

Auditors, 3 have worked in financial institutions for many years and hold a wide range of expertise in the overall financial industry. The remaining auditor possesses extensive knowledge of finance and accounting based on long years of experience in accounting.

Specifically, Statutory Auditors take the following procedures: In accordance with the Standards for Audits by Statutory Auditors, which were established by the Board of Statutory Auditors, Statutory Auditors attend meetings of the Board of Directors and other important corporate meetings, review documents underlying important decisions, and exchange opinions with the Representative Director, Directors, and other senior members when appropriate. The Statutory Auditors perform audits of the Company's internal control system in accordance with the Practice Standards for Internal Controls.

Statutory Auditors coordinate with the Internal Auditing Department through periodically exchanging information and opinions as described above.

The Board of Statutory Auditors receives explanations from Accounting Auditors regarding the annual audit plan and other matters based on audit reports prepared at the quarterly and year-end closing periods. Whenever necessary, the Board of Statutory Auditors also shares information and holds discussions with the Accounting Auditors with regard to management issues and problems. As described above, Statutory Auditors, the Internal Auditing Department and Accounting Auditors work together organically while performing audits to ensure that the Company maintains an appropriate corporate governance system.

Outside Directors and Outside Statutory Auditors

SBIH has 4 Outside Directors and 2 Outside Statutory Auditors.

They assume objective and neutral positions that eliminate the risk of conflict of interest with general shareholders. The Outside Directors and Outside Statutory Auditors monitor or audit and provide advice and suggestions by leveraging their respective expertise as well as their wide range of experience and knowledge on high-level management. They are charged with the roles and functions for ensuring adequacy and appropriateness of the decision-making and execution of duties done by the Board of Directors.

Their appointment enables the adherence to basic principles of corporate governance such as ensuring management transparency and executing management's accountability for providing explanations to third parties, as they are selected primarily for their expert accounting knowledge, specialized knowledge, and independence.

Attendance at Board Meetings by Outside Directors (Fiscal Year 2011)

Attendance at Board Meetings (total of 13)

Kiyoshi Nagano	12
Keiji Watanabe	13
Takeshi Natsuno	13
Akihiro Tamaki	11

Compensation for Directors and Statutory Auditors

Directors (Excluding Outside Director(s))	17	¥209 million
Statutory Auditors (Excluding Outside Statutory Auditor(s))	1	¥11 million
Outside Directors and Statutory Auditors	5	¥59 million

* The above figures include compensation for Directors and Statutory Auditors who have retired during the fiscal year.

Initiatives During the Past Year to Enhance Corporate Governance

The Board of Directors has continued to fulfill its responsibilities as an organ for supervising management and fair decision-making, holding at least one meeting each month. Also, to reinforce management oversight functions, Statutory Auditors conduct exhaustive audits based on the annual auditing plan. The Internal Auditing Department, in conjunction with external specialists, conducts comprehensive internal audits that include the Group companies. In addition, in order to meet the requirement for a "system of internal control over financial reporting" stipulated in Article 24-4-4 of the Financial Instruments and Exchange Act, companywide efforts are being made to design and operate internal controls over financial reporting, whose implementation status is evaluated independently by the Internal Auditing Department. Through these activities, SBIH is working on further improving the quality of operations and preventing the occurrence of financially improper errors.

Regarding information disclosure to investors, SBIH is dedicated to supplying its varied investors with accurate corporate information. We hold an Account Information Briefing quarterly and Current Management Information Briefing following the General Meeting of Shareholders. Explanatory meetings (called "Information Meetings") are held for individual investors in major Japanese cities, where information is provided directly by a representative of SBIH. Our disclosure activities also include attendance at many investor relations conferences in Japan and other countries.

SBIH is firmly committed to the transmission of information. Financial results, press releases, streaming videos and/or materials of quarterly Account Information Briefings and Information Meetings for shareholders, as well as other relevant materials, are promptly posted on our website.

CSR Initiatives

As a constituent component of society, each company owes its own existence to society. Consequently, no company can function as a going concern without contributing to the sustained development of society. The SBI Group has a strong awareness of the “social nature of companies” and the need to be a “strong and respected company.” With this in mind, the SBI Group is actively conducting various corporate social responsibility (CSR) programs.

Strengthening CSR Activities through the SBI Children’s Hope Foundation

In order to make a direct contribution to society, the SBI Group donates a reasonable portion of its earnings to support child welfare facilities. The SBI Children’s Hope Foundation, which has administered these activities since 2005, acquired accreditation as a public interest incorporated foundation in 2010 from the Office of the Prime Minister of Japan, and received certification as a tax-exempt corporation in 2011. This has not only allowed the Foundation to maintain society’s trust, but also gives it preferential treatment under the tax code as a “designated public interest promotion corporation.” The SBI Group will continue to place more focus on social welfare facilities such as those for the prevention of child abuse.

1. Donations to Child Welfare Facilities

To improve conditions at facilities that care for abused children, the SBI Children’s Hope Foundation narrowed its focus to target smaller-scale care at child welfare facilities. To that end, in FY2011, the Foundation donated ¥23 million to 9 facilities. An additional ¥6 million was given to a facility damaged by the Great East Japan Earthquake, as well as to fund support activities for the children and training activities (1 facility and 2 foundations).

As a result, total cumulative contributions since FY2005 now amount to ¥746 million.

2. Training for Child Care Personnel

The Foundation provides on-the-job training programs for 50 selected care workers at child care facilities in eastern and western Japan, respectively. The objective is to give personnel at facilities the knowledge and skills required for therapeutic care services for abused children. Furthermore, in addition to organizing “the SBI Children’s Inspiration Academy,” an advanced training course for those who have already completed the previous training programs, the Foundation launched a new series of “Block Training Courses” in FY2011 to provide opportunities for ongoing professional development. A total of 9 seminars have been held during FY2011.

3. Support for Self-Reliance

The Foundation donated ¥19 million to 5 facilities and 2 foundations for programs that assist children to become independent after leaving care facilities.

Forum for the Prevention of Child Abuse

4. Public Awareness Activities to Prevent Child Abuse

In order to promote society-wide efforts against child abuse, the Foundation is carrying out awareness-raising activities for the public. During FY2011, it organized the “Forum for the Prevention of Child Abuse—Toward the Prevention of Abuse of Infants and Children” jointly with the Japan Medical Association, which was held four times in various locations. In addition, the SBI Children’s Hope Foundation, the SBI Graduate School and Yokohama City University held a joint seminar entitled “Child Abuse in 2011—Recognition, Saving and Prevention.”

The Foundation has supported the Orange Ribbon Campaign, which raises public awareness of child abuse prevention. Every November, which is Child Abuse Prevention Month, SBI Group executives and employees wear orange ribbons, raising awareness of this issue within and outside the SBI Group. As a result, in FY2011, the SBI Group collected donations totaling ¥630,000 from the sale of orange ribbons and orange ribbon badges, etc.

Morningstar Japan SRI Index

As of the end of March 31, 2012, the net assets of the SRI (“Socially Responsible Investment”; publicly offered investment trusts) funds utilizing Morningstar Japan data totaled approximately ¥2.5 billion. Through the calculation and the disclosure of Morningstar Japan’s SRI index, the SBI Group encourages companies to promote their CSR activities, and also creates an environment conducive to socially responsible investment by providing a benchmark for SRI funds and supplying information for investors.

Relief Support for Victims of the Great East Japan Earthquake

The SBI Group has provided and collected monetary donations to assist areas of Japan impacted by the Great East Japan Earthquake that struck on March 11, 2011.

As of March 31, 2012, the Group companies had collected a total of ¥91,296,729 in relief donations. In addition to soliciting donations, the SBI Group companies have offered all or a portion of their sales for a limited time as donations. As of March 31, 2012, ¥25,061,127 in donations have been raised in this way. A total of ¥116,357,856 was donated to the Japanese Red Cross Society for assisting in activities to provide relief to the victims of the disaster, and to support restoration activities in the region.

What the SBI Group Considers to Be "Promising Individuals"

"Promising" does not refer solely to an individual's ability to contribute to the earnings of a single division or company. The SBI Group endeavors to nurture individuals with a strong desire to contribute to the economy and society in many ways. Such individuals must acquire resolute ethical values, outstanding business expertise, an international perspective, and the capacity to make bold decisions. We will continue to nurture as many of these "promising individuals" as possible, who will eventually assume important roles in leading Japan's future.

The SBI Group began hiring new university graduates in FY2005. The objective was to recruit future candidates for senior executive positions who will lead the company's continued growth, and to add employees who will be capable of passing on the Group's unique corporate culture to the next generation of employees. Thus far, 264 new university graduates have joined the SBI Group.

The SBI Group values diversity in nurturing human capital, as it strives to create an environment where all employees, regardless of age, sex, nationality, career path, or disability, can fully display their skills and have a chance to grow.

Efforts to Nurture Human Capital Through the SBI Graduate School

Yoshitaka Kitao, CEO of SBI Holdings, serves as President and Chairman of the Board of Regents of the SBI Graduate School. The school provides courses focused on "moral education" and "practical lessons," based on Mr. Kitao's philosophy regarding contributions to society. A central objective of the graduate school is to nurture the development of talented individuals for management positions through a comprehensive grounding in ethical values and scientific management theory. They will then be positioned to contribute toward the sound development of the Japanese economy, and become professionals capable of demonstrating leadership on the world stage.

The SBI Graduate School's goal is to expeditiously nurture individuals to attain leadership positions to play key roles in Japan's future. Therefore, the school welcomes applications from a broad range of individuals who already have work experience. E-Learning is provided to make classes accessible to individuals with full-time jobs, and lectures are accessible on iPod touch*, iPhones* and other devices. In addition, unit courses, diploma courses and long-term student enrollment programs were established to further facilitate access. In February 2012, the SBI Graduate School held its third "Business Plan Practice Seminar," and this practice-based learning opportunity for entrepreneurs was also open to the public. The SBI Graduate School provides a variety of other educational opportunities, including the establishment of a tuition exemption system for foreign students in an effort to aggressively recruit students from mainly Southeast Asia.

* iPod touch and iPhone are trademarks of Apple Inc.

Major Events at the SBI Graduate School

May 2006	Establishment of SBI University Co., Ltd. to nurture human capital · Open-door seminars for the development of character, led by instructors such as Steve Chang (the founder of Trend Micro Incorporated) and Masayasu Yasuoka (the son of Masahiro Yasuoka) · Preparation for the establishment of a graduate school
Apr. 2007	Submitted application to Ministry of Education, Culture, Sports, Science and Technology (MEXT) to establish a graduate school
Dec. 2007	Received permission to establish the SBI Graduate School from MEXT
Apr. 2008	SBI Graduate School begins operations · A professional educational institution for the development of entrepreneurs · Education system utilizing e-learning based on the latest advances in technology
Nov. 2009	Hosted the "SBI Business Plan Contest 2009"
Mar. 2010	Graduation ceremony for the first inaugural class
Apr. 2010	Started offering individual unit courses
July 2010	The SBI Graduate School faculty co-authors "*Textbook to Entrepreneurialism*," published by Toyo Keizai Inc.
Nov. 2010	Hosted the "2nd SBI Business Plan Contest 2011"
Nov. 2010	Reached basic agreement on a comprehensive collaboration with FPT University, a private university in Vietnam
Apr. 2011	Long-term student enrollment program established
Oct. 2011	Started offering diploma courses
Feb. 2012	Hosted the "3rd Business Plan Practice Seminar"

The SBI Graduate School graduation/entrance ceremony


Business Plan Practice Seminar

Contents

Analysis of Business Results for the Fiscal Year

During the fiscal year ended March 31, 2012, the business environment surrounding the Group remained generally weak in the domestic market with 14% year-on-year decrease of individual stock brokerage trading value. In the overseas market, high economic growth in emerging countries was impeded by the worldwide economic slowdown stemming from the European Sovereign Debt Crisis. Under the circumstances, the Group's consolidated results of operations in the fiscal year ended March 31, 2012 were as follows. Net sales increased 2.8% year-on-year to ¥145,074 million, operating income declined 15.2% to ¥7,575 million, ordinary income rose 37.8% to ¥4,860 million, and net income decreased 29.4% year-on-year to ¥3,200 million.

Asset Management Business

In the Asset Management Business, net sales increased 12.6% year-on-year to ¥34,566 million and operating income rose 48.1% year-on-year to ¥14,183 million. During the fiscal year, the number of new listings was 1,125, decreasing 271 from the previous year across the world, due to the slowdown of IPO markets especially in emerging countries. The domestic market, however, showed a gradual recovery with 37 new listings up 14 from the previous year. Following this trend, the Asset Management Business shifted its focus to the domestic market from overseas markets. As a result, the number of new listings and M&As totaled 14, consisting of 7 domestic companies and 7 overseas companies. Of special notes are share sales of domestic companies, KLab Inc. and VSN, Inc. They contributed ¥11,642 million to operating income. The Company believes that a lingering difficult business environment with weak stock market performance actually offers an ideal opportunity to make new investments, and the Company has taken advantage of the drop in investment costs since the Lehman Shock to continue investing aggressively. During the fiscal year ended March 31, 2012, funds managed by the Group invested ¥57,209 million, and together with direct investments of ¥12,264 million, investments by the Group amounted to a total of ¥69,474 million. The number of investees totaled 180 companies.

Brokerage & Investment Banking Business

In the Brokerage & Investment Banking Business, net sales declined 8.5% from the previous fiscal year to ¥43,783 million and operating income decreased 41.1% year-on-year to ¥3,607 million. The business environment remained harsh with individual stock brokerage trading value continuing to slide. However, SBI SECURITIES Co., Ltd. maintained favorable performance, adding 177,840 new customer accounts during the fiscal year ended March 31, 2012, and the number of accounts totaled 2,387,786 at year-end. The consolidated performance of SBI SECURITIES Co., Ltd. for the fiscal year ended March 31, 2012 resulted in net sales of ¥39,738 million, down 9.8% year-on-year and operating income of ¥7,532 million, down 23.9% year-on-year, due to the decline in brokerage commissions caused by the fall in individual stock brokerage trading value, although revenues relating to the investment trust business increased as a result of favorable sales of investment trusts. At SBI Liquidity Market Co., Ltd., which began operations in November 2008, trading value has remained at a high level even after the introduction of leverage restrictions in August 2010 and in August 2011. Non-consolidated results of the company for the fiscal year ended March 31, 2012 were operating revenue of ¥9,166 million and operating income of ¥1,905 million.

Financial Services Business

In the Financial Services Business, we recorded higher revenues again, and net sales increased 42.0% year-on-year to ¥43,354 million as a result of SBI Insurance Co., Ltd. achieving high underwriting profit with the growth of auto insurance contracts. However, operating losses in the insurance business (derived from the large increase of policy reserves due to the growth in the number of insurance contracts and end of reinsurance contracts), and the operating losses in the credit card business had a material impact as a result of which the Financial Services Business segment recorded an operating loss of ¥2,640 million.

At SBI Sumishin Net Bank, Ltd., an affiliate accounted for under the equity method, the total deposit balance as at March 31, 2012 was ¥2,282.7 billion and the number of accounts was 1,369,000. The Bank recorded non-consolidated net income of ¥5,165 million, up 46.4% year-on-year.

Housing and Real Estate Business

In the Housing and Real Estate Business, comprised of the real estate business, the financial real estate business and the lifestyle networks business, net sales decreased 4.3% year-on-year to ¥22,466 million and operating income increased 0.4% year-on-year to ¥3,383 million. While the domestic real estate market has yet to show full-fledged recovery, sales of small and mid-size properties to wealthy individuals and other investors are on the rise. Under such circumstances, SBI Mortgage Co., Ltd. continues to offer “Flat 35,” a long-term fixed interest rate housing loan product, in partnership with the Japan Housing Financing Agency, through over 100 “SBI housing loan shops/SBI Money Plaza” nationwide at the lowest rates in the industry. As a result, the company has been building up its loan balance, which exceeded ¥1,180 billion as of March 31, 2012.

Selling, General and Administrative Expenses

During the consolidated fiscal year ended March 31, 2012, selling, general and administrative expenses amounted to ¥62,747 million, a decrease of 2.9% year-on-year, and consisted primarily of personnel expenses and securities system outsourcing costs.

Non-operating Income

Non-operating income for the consolidated fiscal year ended March 31, 2012 amounted to ¥3,796 million, up 220.0% year-on-year. This was primarily share of results of affiliates.

Net Sales by Segment

	Year Ended March 31, 2011 (From April 1, 2010 to March 31, 2011)		Year Ended March 31, 2012 (From April 1, 2011 to March 31, 2012)	
Segment	Millions of Yen	%	Millions of Yen	%
Asset Management Business	¥ 30,701	21.8	¥ 34,566	23.8
Investment in Securities	28,475		32,644	
Revenue from Operational Investment Securities	27,127		31,575	
Fees from Funds	1,348		1,068	
Investment Advisory Services Fees and Others	2,225		1,922	
Brokerage & Investment Banking Business	47,873	33.9	43,783	30.2
Financial Services Business	30,530	21.6	43,354	29.9
Marketplace Business	5,699		5,221	
Financial Products Business	9,300		10,253	
Financial Solutions Business	8,309		9,539	
Other Businesses	7,220		18,339	
Housing and Real Estate Business	23,467	16.6	22,466	15.5
Real Estate Business	10,320		9,693	
Financial Real Estate Business	11,646		11,107	
Lifestyle Networks Business	1,500		1,665	
Subtotal	¥132,573	93.9	¥144,169	99.4
Others	15,631	11.1	8,699	6.0
Inter-segment revenues	(7,122)	(5.0)	(7,794)	(5.4)
Net sales	¥141,081	100.0	¥145,074	100.0

(Note) The “Others” column includes revenues in businesses not determined as reportable segments.

Non-operating Expenses

Non-operating expenses for the consolidated fiscal year ended March 31, 2012 declined 1.2% year-on-year to ¥6,511 million, consisting primarily of interest expenses.

Extraordinary Income

During the consolidated fiscal year ended March 31, 2012, extraordinary income increased 54.9% year-on-year to ¥15,520 million. This was mainly gains on sales of investment securities.

Extraordinary Expenses

Extraordinary expenses for the consolidated fiscal year ended March 31, 2012 decreased 65.1% year-on-year to ¥2,828 million. This consisted primarily of losses on sales of investment securities.

Cash Flows

As at March 31, 2012, total assets stood at ¥1,663,814 million, up ¥370,208 million from ¥1,293,606 million at the end of the previous consolidated fiscal year ended March 31, 2011. Owing primarily to the issuance of new shares under the listing on the main board of the Hong Kong Stock Exchange and offering of Hong Kong depositary receipts representing the Company's common shares, net assets amounted to ¥468,579 million, up ¥11,596 million from the end of the previous consolidated fiscal year.

Cash and cash equivalents as at March 31, 2012 totaled ¥145,594 million, down ¥3,192 million compared with the balance of ¥148,786 million at the end of the previous consolidated fiscal year. The following is a summary of cash flows and underlying factors.

Net Cash Used in Operating Activities

Net cash used in operating activities for the consolidated fiscal year ended March 31, 2012 totaled ¥4,972 million, compared with net cash used in operating activities of ¥742 million in the previous consolidated fiscal year. This mainly reflected cash outflows of ¥301,000 million for increase in cash segregated as deposits and of ¥19,729 million for decrease in guarantee deposits received, and cash outflow of ¥11,610 million for increase in operational loans receivable despite the cash inflow of ¥312,052 million for increase in deposits from customers and of ¥17,394 million for decrease in margin transaction assets, net.

Net Cash Used in Investing Activities

Net cash used in investing activities for the consolidated fiscal year ended March 31, 2012 totaled ¥27,035 million, compared with net cash used in investing activities of ¥16,642 million in the previous consolidated fiscal year. This was mainly attributable to cash outflows of ¥12,169 million for purchases of investment securities and of ¥6,235 million for purchases of investments in subsidiaries, and cash outflow of ¥7,758 million for proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation. The Company sold all shares of SBI VeriTrans Co., Ltd. ("SBI VeriTrans") in March 2012 and it was excluded from the scope of consolidation, but cash settlement was not made as at March 31, 2012. Cash outflow of ¥7,758 million was mainly attributable to decrease of cash balance held by SBI VeriTrans.

Net Cash from Financing Activities

Net cash from financing activities for the consolidated fiscal year ended March 31, 2012 totaled ¥29,529 million, compared with net cash from financing activities of ¥25,154 million in the previous consolidated fiscal year. This mainly reflected cash inflows of ¥16,716 million for proceeds from stock issuance and of ¥10,009 million for increase in short-term loans payable.

Business Plan

The Group has completed the creation of a business structure in Japan as a comprehensive financial conglomerate centered on Internet-based financial services. Overseas, the Group has been rapidly expanding its investment business and establishing an investment framework primarily in Asian countries with remarkable growth.

Going forward, we will aggressively promote further expansion of our overseas investment business and provide local foreign financial institutions we invest in with innovative know-how on Internet financial services fostered through our businesses in Japan. By so doing, we expect to become a comprehensive financial group that can make contributions globally with a focus in Asia.

The Company became the first listed company in Japan to be listed on the Main Board market of Hong Kong Exchanges and Clearing on April 14, 2011. We will maximize this opportunity to enhance our credibility and recognition in Asia to further develop businesses of the Group.

In Japan, we will accelerate growth as a provider of diverse low-cost, high-quality financial products and services by effectively taking into account the growing sentiment among consumers to cut back on their spending and the increased use of the Internet for executing various financial transactions, and further provoking synergistic effects among businesses we have developed in the Group.

In the Asset Management Business, we recognize that a high priority lies in expanding our investments in emerging countries, primarily in Asia, and establishing an effective investment system. The Company will pursue the setting up of funds jointly with our leading local partners while monitoring the economic conditions of such countries as we continue to push establishment and penetration of our global network. We will pursue private equity investment by identifying targets and concentrating our investments in growth areas with the aim of contributing in developing industries while benefiting from high investment performance. The Group will continue to invest in four key areas of IT, biotechnology, environment and energy, and finance going ahead. In the financial sectors, we will transfer the know-how of the Group and pursue direct investment in overseas financial institutions by which we can expect to enhance the value of corporations we invest in. The Group will also invest in and finance corporations of varying sizes and in different phases of development through operating buy-out and mezzanine funds. In undertaking these business activities, the Group will strive for further growth by continuing to aggressively utilize the resources both inside and outside of the Group and heightening the performance of the funds we operate as we promptly improve the corporate value of companies we invest in.

In the Brokerage & Investment Banking Business, we will aim to achieve greater growth even under unstable conditions in the Japanese stock markets. SBI SECURITIES Co., Ltd. will continue to expand its overseas product lineups and strengthen foreign exchange transactions, and further enhance its call center operations that receive high recognition from evaluating agencies, in heightening its service level even more. We will also promote integration of “net” and “real” channels and actively make use of the intermediary business to continue expanding the face-to-face channel while achieving effective cost reductions. Furthermore, with the aim of maximizing synergies within the financial conglomerate, the Company will strengthen collaboration with companies in the Group, in particular with SBI Sumishin Net Bank, Ltd., to develop the Group’s Internet-based one-stop financial service system. In the consolidated fiscal year, the PTS (proprietary trading system) of high public nature operated by SBI Japannext Co., Ltd. posted a considerable increase in trading value, taking up 2.8% of total monthly trading value on the first section of the Tokyo Stock Exchange in March 2012. SBI Liquidity Market Co., Ltd., which began operation in November 2008, provides liquidity and market infrastructure for FX transactions to SBI SECURITIES Co., Ltd. and SBI Sumishin Net Bank, Ltd. The firm will make improvements to the transaction environment and enhance liquidity with the aim of further diversifying sources of revenue in this business.

In the Financial Services Business, we established SBI Sumishin Net Bank, Ltd., SBI Insurance Co., Ltd. and other new companies during 2007 to 2008 for undertaking new businesses in our aim to build an earning structure that does not depend solely on stock markets. It is our key objective to further develop these businesses by provoking stronger synergistic effects among Group companies. In the Marketplace Business centered on operation of comparison websites such as "InsWeb" and "E-LOAN," we must continue to expand our service lineups including by enhancing content and improving functions. Additionally, in striving for higher growth, we see the need to push development of Morningstar Japan K.K., which continues to expand its services and channel offerings, supported by the growing asset management needs.

In the Housing and Real Estate Business, we will pursue real estate development while monitoring market conditions, through making efforts to capture business opportunities and to diversify and stabilize revenues. In the financial real estate category, SBI Mortgage Co., Ltd. has established its own brand as a provider of housing loans with low, all-term fixed interest rates. We will continue to enhance "SBI Money Plaza," a franchise-based face-to-face channel to continue attracting customers and increasing loan drawdowns. In the lifestyle networks business category, we are determined to focus our efforts in operating brokering sites to provide useful, attractive services in assisting consumers at every stage and major event of their lives.

Furthermore, in July 2010, the Group launched a concept called the "Brilliant Cut Initiative." By modeling the Group companies and businesses on facets of a diamond, namely a "58 brilliant-cut diamond" is known to be the brightest and the most beautiful, with each of the facets giving the best shine when cut this way. The 58 major companies and business entities of the Group's business ecosystem reflect the 58 facets of a brilliant-cut diamond, which together shine most beautifully as one. With the aim of giving out the best shine as a Group, we will pursue the "Brilliant Cut Initiative" in shifting our management emphasis from the traditional Group-wide expansion to profitability.

The Group recognizes that continuous enhancement of human resources is an essential Group-wide initiative. It has become increasingly important to secure highly competent individuals who support the rapid expansion of our businesses and to continue developing the skills of our employees. For this purpose, we have been exerting greater efforts in hiring excellent individuals who are willing to share the management philosophy of the Group as well as recruiting university graduates to secure human capital for passing on the Group's unique corporate culture from one generation of employees to the next. The initiative of recruiting university graduates that began in April 2006 has resulted in individuals with the potential to advance to senior executive positions already contributing strongly in key positions of the organization. We will continue to secure highly competent and global-oriented human resources and promote career development of our staff in pursuing perpetual growth and development of the Group.

Note: Forward-looking descriptions provided herein are based on judgments of the Company as of June 28, 2012.

Risk Information

The following principal categories of business risks and other risks affecting our Group's business may have a material impact on investment decisions. From the point of disclosing information, we have also listed risk factors below, which may not completely match these investment decisions. In recognizing these latent risks, we will work to avoid any such risks and take appropriate measures in the event that any such risk arises.

Also, the following contains contents about the future but it is considered as of June 28, 2012.

1) Our corporate structure, which consists of a large number of public and private companies in multiple business lines, exposes us to challenges not found in companies with a single business line

Our Group consists of portfolio companies operating in multiple industries, including asset management, brokerage and investment banking, financial services, housing and real estate and other businesses. Our Group also comprises of some publicly traded subsidiaries. Due to the diverse characteristics of our portfolio companies, we face challenges not found in companies with a single business line. In particular, there are three aspects:

- we are exposed to business, market and regulatory risks relating to different industries. We need to devote substantial resources to monitor changes in different operating environments, so that we can react with appropriate strategies that fit the needs of the portfolio companies affected;
- due to our large number of portfolio companies involved, successful operation of our Group requires an effective management system that emphasizes accountability, imposes financial discipline on portfolio companies, and incentivizes management to create value. As we continue to grow through acquisitions of businesses in an increasing number of different industries, our operations will become more complex, which increases the difficulty of implementing our management system; and
- our portfolio companies in different operating segments may determine that it is in their respective shareholders' interests to pursue business ventures together. We cannot assure you that such business ventures will be successful or generate the synergies expected.

2) Our voting interests in our portfolio companies may be diluted

Our portfolio companies may become publicly traded, which will dilute our voting interests in these entities. In addition, our portfolio companies may from time to time need additional capital to achieve their expansion plans or other business objectives and may issue additional shares or other equity securities to meet their capital needs. We may choose not to, or be unable to, subscribe for the securities offered in any such additional issuances by our portfolio companies. If we fail to subscribe for additional securities of a portfolio company on a pro-rata basis to our existing shareholding in such company, our equity interest in the portfolio company will be diluted.

A dilution in our equity interest in a portfolio company would reduce our share of the profits earned by such portfolio company, which may have an adverse effect on our financial condition and results of operations. Further, if our ownership were reduced significantly, it may cause our representation on such company's board of directors to be reduced, or otherwise reduce our ability to direct or influence the operations of that portfolio company.

3) The growth we expect in the market for our online products and services may not materialize

The market in Japan for online financial products and services continues to evolve. Our success depends substantially on continued growth in the use of online products and services, such as online brokerage services, Internet banking, Internet-based insurance products and services by individuals. If this growth does not materialize, our financial condition and results of operations will suffer. Factors that could discourage Japanese individuals from using online products and services include security or privacy concerns, inconsistent quality of service and frustration with actual or perceived difficulties in using the Internet to conduct brokerage and other financial transactions.

4) Changes in the legal or financial stability of, or cultural or business strategic differences with, any counterparties with whom we enter into joint ventures or alliances

We operate joint ventures and enter into alliances with foreign and domestic counterparties and the success of these operations is often dependent upon the financial and legal stability of our counterparties. If one of the counterparties with whom we operate a joint venture or continue a business alliance suffers a decline in its financial condition for any reason, or is subject to instability owing to a change to the laws governing its operations after we have invested in the joint venture or the business alliance, we may be unable to successfully operate the joint venture or alliance, or we may be required to invest additional capital or cease operations altogether. Likewise, significant differences in corporate culture and business strategy between ourselves and such partners may come to light and may result in significant changes to the assumptions that we made when we decided to enter into the joint venture or alliance. If our joint venture or counterparties are unable to perform as expected, or if any unexpected events relating to the alliances occur, then we may be unable to continue those businesses successfully. Our inability to successfully operate joint ventures or alliances may adversely affect our reputation and our financial condition and results of operations.

5) Risks relating to business reputation

We are vulnerable to poor market perception and reputational risk since we operate in industries where integrity and the trust and confidence of our clients are of utmost importance. Negative publicity (whether or not justified) associated with us or any of our funds, products, services, officers or employees, partners or alliances, or the occurrence of any of the risks set out in this section could result in a loss of clients and/or mandates. Our business operations are highly dependent on our officers, employees, partners and/or alliances. The actions, misconduct, omissions, failures or breaches of any of our officers or employees, partners and/or alliances may, by association, create negative publicity in relation to our Group. Accordingly, any mismanagement, fraud or failure to discharge legal, contractual, regulatory or fiduciary duties, responsibilities, liabilities or obligations, or the negative perception resulting from such activities or any allegation of such activities, could have an adverse effect on our Group's business, growth prospects, results of operations and/or financial condition. Such cases could adversely affect our financial condition and results of operations.

In addition, there are some frauds or fraudulent acts, which use trade names of our Group companies, with our business expansion and increasing our publicity. Therefore, we may be hit hard by rumors even if we have no fault. It could have an adverse affect our financial condition and results of operations.

6) Risks relating to business restructuring and expansion

As a "Strategic Business Innovator," one of our Group's basic policies is to perpetuate "Self Evolution."

In addition to internal business restructuring, such as the acquisition of one-hundred percent ownership of SBI SECURITIES Co., Ltd., and SBI Futures Co., Ltd. through share exchanges in August 2008 and in August 2009 respectively, the transfer all our shares in SBI AXA Life Insurance Co., Ltd. in February 2010, the acquisition of one-hundred percent ownership of Gomez Consulting Co., Ltd. by Morningstar Japan K.K. through the share exchange in April 2011, the acquisition of one-hundred percent ownership of SBI VeriTrans Co., Ltd. and SBI Net Systems Co., Ltd. through the share exchanges in August 2011 and in February 2012 respectively, the acquisition of Shinsai Partners Inc. in March 2012 and the conclusion of the share transfer contract of all our shares in SBI VeriTrans Co., Ltd. in March 2012, we intend to aggressively pursue business expansion, including mergers and acquisitions of businesses that we believe offer favorable synergies with our core businesses. We face the risk that our restructuring and business expansion activities may not produce the results that we expect. Failure to achieve expected results could have an adverse effect on our financial condition and results of operations.

We may not be able to identify suitable investment opportunities, partners or acquisition candidates. Even if we do identify suitable investment opportunities, partners or acquisition candidates, we may be unable to negotiate terms that are commercially acceptable to us or complete those transactions at all. With respect to our acquisitions, we could have difficulty in integrating these companies or businesses, including internal operations, distribution networks, product lines and personnel, with our existing business, and there is no assurance that the expected strategic benefits of any acquisitions or alliances will be realized. The acquired companies may have low margins and require significant restructuring to increase efficiency. In addition, the key personnel of an acquired company may decide not to work for us. The acquired company could involve a number of specific risks, including diversion of management's attention, higher costs, unanticipated events or circumstances, legal liabilities, failure of the business of the acquired company, fall in value of investments and amortization of acquired intangible assets, some or all of which could have an adverse effect on our business, financial condition and results of operations. In the event that we plan to acquire or invest in an overseas company, we may be required to obtain the prior approval of the relevant regulators and/or the government and there can be no assurance that such approvals will be obtained in a timely manner or at all. In addition, any acquisition of an overseas company will expose us to foreign exchange risks, foreign regulations applicable to its business and different environments that we are not familiar with. In the event that any such risk arises, it could adversely affect our financial condition and results of operations.

In addition, we may raise working capital through various means, including equity finance in the capital markets, share exchange, loans from financial institutions, and issuances of corporate bonds. Such cases could adversely affect our financial condition and results of operations.

7) Risks relating to entering new businesses

Based on the management principle of "Aiming to Be a New Industry Creator," we are aggressively creating and nurturing new businesses. If our new businesses are unable to achieve their business plans as originally formulated, and if they are unable to record earnings commensurate with their initial investments, such failure could have an adverse effect on our financial condition and results of operations. In addition, our new businesses could become subject to new laws and regulations or be placed under the guidance of particular regulatory authorities. Any violations by our new businesses of the laws, regulations or guidance that is applicable to them, and any administrative or legal actions directed at them, could impede the conduct of their operations and have an adverse effect on our financial condition and results of operations.

8) Risks relating to being a financial conglomerate

We are classified as a financial conglomerate as defined by the regulations of the Financial Services Agency (FSA). As a result, we are further strengthening our risk management and compliance systems in order to maintain financial soundness, and to conduct business activities properly. However, if we are subject to an administrative action or other punishment by the FSA, for whatever reason, we may have difficulty conducting business operations, or it could adversely affect our financial condition and results of operations.

9) Risks relating to investment securities

We hold a large amount of investment securities, including investments in unconsolidated subsidiaries and affiliated companies. We could experience impairment losses on our investment securities as a result of declines in their value, which could adversely affect our financial condition and results of operations.

10) Litigation risk

We are exposed to litigation risk relating to the operations of our business segments on an ongoing basis. While we cannot predict the outcome of any pending or future litigation, given the inherent unpredictability of litigation, it is possible that an adverse outcome in any one or more matters could have an adverse effect on our financial condition and results of operations.

11) Risk relating to risk management and internal control

We have established risk management and internal control systems and procedures. Certain areas within our risk management and internal control systems may require constant monitoring, maintenance and continual improvements by our senior management and staff. If our efforts to maintain these systems are proved to be ineffective or inadequate, we may be subject to sanctions or penalties and our financial condition, results of operations, business prospects and reputation may be adversely affected.

Our internal control system, no matter how sophisticated in design, still contains inherent limitations caused by misjudgment or fault. As such, there is no assurance that our risk management and internal control systems are adequate or effective, notwithstanding our efforts, and any failure to address any internal control matters and other deficiencies could result in investigations and/or disciplinary actions or even prosecution being taken against our Group and/or our employees, disruption to our risk management system, and have an adverse effect on our financial condition and results of operations.

12) Risks relating to funding liquidity

We raise working capital through various means, including equity finance in the capital markets, loans from financial institutions, and issuances of corporate bonds. Due to the ongoing global economic crisis and the resulting deterioration in the global credit markets, including reduced lending by financial institutions, we may face difficulty raising funds under favorable conditions or at all. In addition, potential downgrades to our credit ratings could interfere with our ability to raise funds from external sources. In such circumstances our access to funds could be restricted, and our financing costs could increase. Any such events could adversely affect our financial condition and results of operations.

13) Derivatives risk

We utilize derivative instruments to reduce investment portfolio price fluctuations and to manage interest rate and foreign exchange rate risk. However, we may not be able to successfully manage our risks through the use of derivatives. Counterparties may fail to honor the terms of their derivatives contracts with us. Alternatively, our ability to enter into derivative transactions may be adversely affected if our credit ratings are downgraded.

We may also suffer losses from trading activities, a part of which includes the use of derivative instruments. As a result, our financial condition and results of operations could be adversely affected.

14) We depend in part on payments from our subsidiaries and other entities

We depend in part on dividends, distributions and others from our subsidiaries and other entities, such as partnerships and other investment vehicles, to fund payments on our obligations, including our debt obligations. Regulatory and other legal restrictions, including contractual restrictions, may limit our ability to transfer funds to or from our subsidiaries and other entities. Some of our subsidiaries and other entities which we depend on, in part, for payments are subject to laws and regulations that authorize regulatory bodies, such as a board of directors, to block or reduce the flow of funds to us, or that prohibit such transfers altogether in certain circumstances. These laws and regulations may hinder our ability to access funds that we may need to make payments on our obligations. Such payments could adversely affect our financial condition and results of operations.

15) Reliance on key personnel

Our business operations depend on the leadership of our Representative Director, President and Chief Executive Officer, Mr. Yoshitaka Kitao, and other key members of our management team. If one or more of our current management teams becomes unable to continue to operate our businesses, such event could adversely affect our financial condition and results of operations. Any remedial action adopted by management to deal with a loss of key personnel may not take effect immediately or at all.

16) Risks relating to employees

We employ individuals who we consider highly skilled and qualified personnel to work under our management team. If we are unable to continue to engage highly skilled and qualified personnel of the requisite caliber and skills, this could adversely affect our financial condition and results of operations.

17) Risks relating to trademarks and other intellectual property rights

Our businesses involve various types of intellectual property, including patents, copyrights and other forms of intellectual property, particularly those related to our "SBI" brand. We rely on our ability to protect the intellectual property we own and use in our business. If we fail to sufficiently protect our intellectual property, or if we are unable to acquire the necessary licenses for the use of third-party intellectual property, we may experience difficulty in developing technologies or providing services. Also, we may be the subject of legal actions brought by third parties alleging infringement of their intellectual property. In addition, we may experience increased costs in connection with intellectual property, especially those related to copyright. Such additional costs could have an adverse effect on our financial condition and results of operations.

18) Risks relating to enactment of, or changes in, laws, regulations and accounting standards

Enactment of, or changes in, laws and regulations may affect the way that we conduct our business, the products or services that we may offer in Japan or overseas, as well as our customers, borrowers, portfolio companies and funding sources. Such enactment or changes are unpredictable and may cause our costs to increase. As a result of such enactment or changes, our business activities, financial condition and results of operations could be adversely affected.

Withdrawal or amendment of any regulatory approval or of any exemption from registration in respect of any part of our Group's activities or any of our funds in any jurisdiction might oblige us to cease conducting a particular business or change the way in which it is conducted. Similarly, the withdrawal of either a license or an approval of one or more individuals would hinder their ability to perform their current role. The carrying out of regulated activities by unauthorized persons could have a number of consequences including the possibility of agreements made in the course of carrying out such activities being unenforceable.

Enactment of, or changes in, accounting standards may have a significant effect on how we record and report our financial condition and results of operations, even if our underlying business fundamentals remain the same. As a result of such enactment or changes, our business activities, our financial condition and results of operations could be adversely affected.

19) Risks relating to deferred tax assets

Temporary differences occurring between the financial statements and the tax bases of assets and liabilities are posted to deferred tax assets using the statutory effective tax rate applied when the difference is dissolved.

If there is a tax reform and change in the statutory effective tax rate, we may reduce or increase the deferred tax assets. Such events could have an adverse effect on our financial condition and results of operations.

A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either expire before the Company is able to realize their benefits, or that future deductibility is uncertain. Loss carryforwards can be posted as deferred tax assets to the extent of the amount recoverable, and the Group posts deferred tax assets based on the assumption of recoverability.

Each Group company calculates the estimated future recoverable tax amount based on the expected amount of future taxable income. While we presume that it is quite possible to realize the deferred tax assets after valuation allowance, the amount of valuation allowance may fluctuate depending on any changes in the expected amount of future taxable income. Such changes could have an adverse effect on our financial condition and results of operations.

20) Risks relating to insurance coverage

To manage operating risks, we maintain in our portfolio companies insurance coverage of various kinds. However, we cannot assure you that all claims under their insurance policies will be honored fully or on time. Furthermore, we are generally unable to insure against certain types of losses, including losses caused by earthquakes, typhoons, floods, wars and riots, and we do not have business interruption insurance. To the extent that any of our portfolio companies suffer loss or damage that is not covered by insurance or that exceeds the limit of its insurance coverage, our financial condition and results of operations and cash flow may be adversely affected.

21) Past results may not be indicative of future performance

Our historical financial information may not necessarily reflect our financial condition or results of operations in the future. We may experience slower growth in some of our businesses and we may not be successful in launching new businesses. New businesses may not achieve as quick or as large growth as anticipated, and our multiple business strategy may not be successful and we may not be able to successfully integrate future businesses or assets into our existing operations.

22) We may suffer substantial losses in the event of a natural disaster, such as an earthquake, terrorist attack or other casualty event in Japan or other markets in which we operate

A substantial portion of our assets, as well as our head office, are located in Japan and a substantial portion of our net sales are derived from our operations in Japan. Our overseas operations are subject to similar or other disaster risks. Additionally, large disasters, outbreaks, terrorist attacks or other casualty events affecting our operational network, either in Japan or overseas, could disrupt our operations even in the absence of direct physical damage to our properties or cause a material economic downturn in the affected area or country, which in turn could result in significant interruptions to or an adverse effect on our businesses, financial condition and results of operations.

23) Risks relating to our investments, development of our business, funding and legal regulations in overseas operation

We are actively investing and promoting business development in overseas countries. In these cases, we do have risks relating to increasing cost or losses unique to overseas business due to different factors from factors in Japan, such as systems including laws and regulations, business practice, economic status, corporate culture, consumer attitude and others in overseas countries. We implement investments and business development of our operations in overseas countries after careful investigations, examinations and taking countermeasures for these risks. Nevertheless, if some events, which we could not estimate at the beginning, occur, such events could have an adverse effect on our financial condition and results of operations.

In addition, there is an increasing tendency of ratios of foreign shareholders in our shareholders. Therefore, it may be expected that we perform as the result the financing in foreign countries regardless of our intention. As a result, we may be affected by foreign laws and regulations, particularly these for investors protection, and may be caused our expense increase and the restrictions of business. Furthermore, we may increase foreign currency debt finances for the purpose of hedging foreign currency risks by borrowings from the financial institution in overseas countries or by issuances of corporate bonds in overseas countries. Even if we implement these after careful investigations and examinations for these risks, but some events, which we could not estimate at the beginnings, may occur. Such events could have an adverse effect on our financial condition and results of operations.

Recently, in addition to the above, application of laws and regulations in the overseas countries, such as the Bribery Act 2010 in the UK and The Foreign Corrupt Practices Act in the US, might extend into our Group in other countries including Japan. We have responded to a variety of these laws and regulations after careful investigations and examinations of these risks, but some unexpected events may occur. Such events could have an adverse effect on our financial condition and results of operations.

24) We cannot guarantee the accuracy of facts and statistics with respect to certain information obtained from official governmental sources and other data

Facts and statistics relating to Japan, the Japanese economy and the financial sector (including the financial services industry) and other sectors in which we operate derived from official government or other industry sources are generally believed to be reliable. However, we cannot guarantee the quality or reliability of such information. We have not prepared or verified the accuracy of the information received from such sources. We make no representation as to the accuracy or completeness of such facts and statistics from these sources. Furthermore, there can be no assurance that these sources have stated or compiled such facts and figures on the same basis or with the same degree of accuracy or completeness as may be the case elsewhere. In all cases, you should not unduly rely on these facts and statistics.

Note: For risks specific to each business segment, please refer to the Securities Report at http://www.sbigroup.co.jp/english/investors/library/filings/.

(Amounts in millions of Japanese Yen, rounded down to the nearest million except for per share information, unless otherwise stated)

Consolidated Balance Sheets

	Notes	As at 31 March 2011 (millions of Yen)	As at 31 March 2012 (millions of Yen)
Assets			
Current assets			
Cash and deposits	VI.4	¥ 150,268	**¥ 146,055**
Notes and accounts receivable—trade	VI.4	10,658	**11,106**
Leases receivable and lease investment assets		16,166	**13,829**
Short-term investment securities		292	**219**
Cash segregated as deposits		347,865	**663,065**
Operational investment securities	VI.1 & 4	141,881	**148,099**
Allowance for investment losses		(9,108)	**(6,156)**
Operational investment securities, net		132,773	**141,943**
Operational loans receivable	VI.4	27,905	**42,281**
Real estate inventories	VI.2 & 4	16,812	**11,699**
Trading instruments	VI.8	2,701	**1,763**
Loans on margin transactions		229,301	**220,270**
Cash collateral pledged for securities borrowings on margin transactions		21,098	**39,777**
Margin transaction assets		250,399	**260,048**
Short-term guarantee deposits		5,235	**16,800**
Deferred tax assets		14,243	**11,425**
Others	VI.4	57,473	**75,830**
Allowance for doubtful accounts		(4,017)	**(3,682)**
Total current assets		1,028,779	**1,392,386**
Non-current assets			
Property and equipment			
Buildings		15,799	**16,205**
Accumulated depreciation		(3,130)	**(3,234)**
Buildings, net	VI.4	12,668	**12,970**
Furniture and fixtures		4,972	**4,014**
Accumulated depreciation		(3,546)	**(2,930)**
Furniture and fixtures, net		1,426	**1,083**
Land	VI.4	10,908	**11,787**
Others		4,825	**5,318**
Accumulated depreciation		(1,397)	**(2,324)**
Others, net		3,427	**2,993**
Total property and equipment		28,431	**28,835**
Intangible assets			
Software		13,378	**13,511**
Goodwill		126,297	**122,410**
Others		567	**1,254**
Total intangible assets		140,244	**137,176**
Investments and other assets			
Investment securities	VI.3 & 4	53,378	**61,403**
Deferred tax assets		12,830	**15,458**
Others		36,108	**26,013**
Allowance for doubtful accounts		(12,066)	**(6,535)**
Total investments and other assets		90,250	**96,338**
Total non-current assets		258,926	**262,349**
Deferred charges			
Stock issuance costs		152	**182**
Bonds issuance costs		32	**142**
Deferred operating costs under Article 113 of the Insurance Business Act		5,715	**8,752**
Total deferred charges		5,900	**9,077**
Total assets		¥1,293,606	**¥1,663,814**

	Notes	As at 31 March 2011 (millions of Yen)	As at 31 March 2012 (millions of Yen)
Liabilities			
Current liabilities			
Short-term loans payable	VI.4	¥ 97,164	¥ 103,915
Current portion of long-term loans payable	VI.4	12,147	19,888
Current portion of bonds payable	VI.4	70,060	60,060
Accrued income taxes		4,574	4,875
Advances received		1,953	1,941
Borrowings on margin transactions	VI.4	70,386	76,007
Cash received for securities lending on margin transactions		73,370	94,792
Margin transaction liabilities		143,757	170,800
Loans payable secured by securities		61,797	76,592
Guarantee deposits received		309,134	289,405
Deposits from customers		37,819	347,952
Accrued expenses		3,202	3,262
Deferred tax liabilities		3,219	4,047
Provision for bonuses		79	95
Other provisions		448	290
Others		35,237	36,930
Total current liabilities		780,597	1,120,059
Non-current liabilities			
Bonds payable	VI.4	540	30,480
Long-term loans payable	VI.4	31,366	16,765
Deferred tax liabilities		424	357
Provision for retirement benefits		69	16
Other provisions		861	1,444
Others		17,567	21,675
Total non-current liabilities		50,828	70,739
Statutory reserves			
Reserve for financial products transaction liabilities		5,196	4,436
Reserve for price fluctuation		0	0
Total statutory reserves	VI.9	5,197	4,436
Total liabilities		836,623	1,195,235
Net assets			
Shareholders' equity			
Capital stock		73,236	81,664
Capital surplus		236,920	249,353
Retained earnings		88,073	88,417
Treasury stock		(246)	(3,179)
Total shareholders' equity		397,983	416,255
Accumulated other comprehensive income (loss)			
Unrealized losses on available-for-sale securities		(3,902)	(2,722)
Deferred gains (losses) on derivatives under hedge accounting		(239)	(1,889)
Foreign currency translation adjustments		(3,012)	(4,711)
Total accumulated other comprehensive income (loss)		(7,155)	(9,323)
Stock acquisition rights		11	10
Minority interests		66,142	61,636
Total net assets		456,982	468,579
Total liabilities and net assets		¥1,293,606	¥1,663,814

Consolidated Statements of Operations

	Notes	2011 (millions of Yen)	2012 (millions of Yen)
		Year ended 31 March	
Net sales	VII.1	¥141,081	¥145,074
Cost of sales	VII.2	67,535	74,750
Gross profit		73,546	70,323
Selling, general and administrative expenses	VII.3 & 4	64,613	62,747
Operating income		8,932	7,575
Non-operating income			
Interest income		402	473
Dividend income		191	208
Share of results of affiliates		163	2,546
Others		429	567
Total non-operating income		1,186	3,796
Non-operating expense			
Interest expense		2,705	2,303
Amortization of deferred operating costs under Article 113 of the Insurance Business Act		952	1,750
Foreign exchange losses		1,349	509
Others		1,586	1,948
Total non-operating expense		6,593	6,511
Ordinary income		3,525	4,860
Extraordinary income			
Gains on sales of investment securities		7,584	14,353
Reversal of statutory reserves		2,022	760
Others		411	406
Total extraordinary income		10,018	15,520
Extraordinary expense			
Impairment loss	VII.5	861	233
Provision of allowance for doubtful accounts		3,848	—
Provision of statutory reserves		0	0
Losses on sales of investment securities		66	1,104
Losses on valuation of investment securities		556	80
Losses on disposal of subsidiaries and affiliates		635	812
Impact from applying the Accounting Standard of Asset Retirement Obligation		501	—
Others		1,642	598
Total extraordinary expense		8,113	2,828
Income before income taxes		5,430	17,552
Income taxes—current		(10,120)	(9,381)
Income taxes—deferred		3,028	(2,537)
Total income taxes		(7,092)	(11,918)
Net income (loss) before minority interests		(1,661)	5,633
Minority interests in income (loss)		(6,196)	2,432
Net income		¥ 4,534	¥ 3,200

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 March 2011 (millions of Yen)	2012 (millions of Yen)
Net income (loss) before minority interests		¥(1,661)	**¥ 5,633**
Other comprehensive income (loss)			
Unrealized gains (losses) on available-for-sale securities		(3,042)	**1,389**
Deferred gains (losses) on derivatives under hedge accounting		(14)	**5**
Foreign currency translation adjustments		(1,219)	**(1,283)**
Share of other comprehensive loss of equity method affiliates		(533)	**(1,981)**
Total other comprehensive loss for the year	VIII	(4,809)	**(1,869)**
Total comprehensive income (loss) for the year		¥(6,471)	**¥ 3,764**
Total comprehensive income (loss) for the year attributable to:			
–Owners of the parent		¥ (364)	**¥ 1,083**
–Minority interests		(6,106)	**2,681**

Consolidated Statements of Changes in Net Assets

	Notes	Year ended 31 March 2011 (millions of Yen)	2012 (millions of Yen)
Shareholders' equity	IX		
Capital stock			
Balance at the end of previous year		¥ 55,284	**¥ 73,236**
Changes during the year			
Issuance of new stock		17,952	**8,428**
Total changes during the year		17,952	**8,428**
Balance at the end of current year		73,236	**81,664**
Capital surplus			
Balance at the end of previous year		218,968	**236,920**
Changes during the year			
Issuance of new stock		17,952	**8,428**
Decrease through share exchanges		—	**4,004**
Disposal of treasury stock		(0)	**—**
Total changes during the year		17,951	**12,432**
Balance at the end of current year		236,920	**249,353**
Retained earnings			
Balance at the end of previous year		87,276	**88,073**
Changes during the year			
Dividends	IX.3	(1,676)	**(2,391)**
Net income		4,534	**3,200**
Decrease through a merger		(224)	**(2)**
Adjustments due to change of scope of consolidation		(1,798)	**(571)**
Adjustments due to change of scope of equity method		(37)	**108**
Total changes during the year		797	**343**
Balance at the end of current year		88,073	**88,417**
Treasury stock			
Balance at the end of previous year		(246)	**(246)**
Changes during the year			
Purchases of treasury stock		—	**(2,938)**
Disposal of treasury stock		—	**5**
Total changes during the year		—	**(2,932)**
Balance at the end of current year		(246)	**(3,179)**
Total shareholders' equity			
Balance at the end of previous year		361,282	**397,983**
Changes during the year			
Issuance of new stock		35,904	**16,856**
Increase through share exchanges		—	**4,004**
Dividends	IX.3	(1,676)	**(2,391)**
Net income		4,534	**3,200**
Decrease through a merger		(224)	**(2)**
Adjustments due to change of scope of consolidation		(1,798)	**(571)**
Adjustments due to change of scope of equity method		(37)	**108**
Purchases of treasury stock		—	**(2,938)**
Disposal of treasury stock		(0)	**5**
Total changes during the year		36,701	**18,271**
Balance at the end of current year		¥397,983	**¥416,255**

	Notes	Year ended 31 March 2011 (millions of Yen)	2012 (millions of Yen)
Accumulated other comprehensive (income) loss			
Unrealized losses on available-for-sale securities			
Balance at the end of previous year		¥ (559)	¥ (3,902)
Changes during the year			
Net changes other than shareholders' equity		(3,343)	1,180
Total changes during the year		(3,343)	1,180
Balance at the end of current year		(3,902)	(2,722)
Deferred gains (losses) on derivatives under hedge accounting			
Balance at the end of previous year		14	(239)
Changes during the year			
Net changes other than shareholders' equity		(254)	(1,649)
Total changes during the year		(254)	(1,649)
Balance at the end of current year		(239)	(1,889)
Foreign currency translation adjustments			
Balance at the end of previous year		(1,506)	(3,012)
Changes during the year			
Net changes other than shareholders' equity		(1,505)	(1,698)
Total changes during the year		(1,505)	(1,698)
Balance at the end of current year		(3,012)	(4,711)
Total accumulated other comprehensive (income) loss			
Balance at the end of previous year		(2,051)	(7,155)
Changes during the year			
Net changes other than shareholders' equity		(5,104)	(2,167)
Total changes during the year		(5,104)	(2,167)
Balance at the end of current year		(7,155)	(9,323)
Stock acquisition rights			
Balance at the end of previous year		11	11
Changes during the year			
Net changes other than shareholders' equity		(0)	(1)
Total changes during the year		(0)	(1)
Balance at the end of current year		11	10
Minority interests			
Balance at the end of previous year		69,372	66,142
Changes during the year			
Net changes other than shareholders' equity		(3,229)	(4,506)
Total changes during the year		(3,229)	(4,506)
Balance at the end of current year		66,142	61,636
Total net assets			
Balance at the end of previous year		428,615	456,982
Changes during the year			
Issuance of new stock		35,904	16,856
Increase through share exchanges		—	4,004
Dividends	IX.3	(1,676)	(2,391)
Net income		4,534	3,200
Decrease through a merger		(224)	(2)
Adjustments due to change of scope of consolidation		(1,798)	(571)
Adjustments due to change of scope of equity method		(37)	108
Purchase of treasury stock		—	(2,938)
Disposal of treasury stock		(0)	5
Net changes other than shareholders' equity		(8,333)	(6,675)
Total changes during the year		28,367	11,596
Balance at the end of current year		¥456,982	¥468,579

Consolidated Statements of Cash Flows

	Notes	2011 (millions of Yen)	2012 (millions of Yen)
		Year ended 31 March	
Net cash from (used in) operating activities			
Income before income taxes		¥ 5,430	¥ 17,552
Adjustments for:			
Depreciation and amortization		6,588	8,456
Amortization of goodwill		8,563	7,866
Increase in provision		11,451	6,117
Share of results of affiliates		(163)	(2,546)
Write-down of operational investment securities		1,618	3,952
Equity in earnings of funds		(2,793)	606
Gains on sales of investment securities		(7,517)	(13,248)
Losses on valuation of investment securities		556	80
Foreign exchange losses		3,333	1,429
Interest and dividend income		(16,587)	(15,502)
Interest expense		6,730	6,077
Changes in assets and liabilities:			
Increase in operational investment securities		(35,988)	(12,460)
Decrease (increase) in operational loans receivable		5,755	(11,610)
Decrease in real estate inventories		2,617	3,198
Decrease in notes and accounts receivable-trade		823	1,082
Increase (decrease) in notes and accounts payable-trade		102	(726)
Increase in cash segregated as deposits		(18,000)	(301,000)
(Increase) decrease in trading instruments		(2,326)	1,541
(Increase) decrease in margin transaction assets/liabilities		4,962	17,394
Increase in deposits from customers		6,341	312,052
Increase (decrease) in guarantee deposits received		26,760	(19,729)
(Decrease) increase in loans payable secured by securities		(1,997)	14,807
Decrease in advances received		(890)	(2,682)
Others, net		(4,127)	(28,333)
Subtotal		1,242	(5,625)
Interest and dividend income received		17,168	14,852
Interest expense paid		(6,885)	(5,967)
Income taxes paid		(12,267)	(8,232)
Net cash used in operating activities		¥ (742)	¥ (4,972)

	Notes	Year ended 31 March 2011 (millions of Yen)	2012 (millions of Yen)
Net cash from (used in) investing activities			
Purchases of intangible assets		¥ (4,767)	¥ (5,327)
Purchases of investment securities		(13,621)	(12,169)
Proceeds from sales of investment securities		11,212	1,996
Proceeds from sales of investments in subsidiaries		249	524
Purchases of (proceeds from) investments in subsidiaries resulting in change in scope of consolidation	X.2	(99)	37
Payments for sales of investments in subsidiaries resulting in change of scope of consolidation	X.2	—	(7,758)
Purchases of investments in subsidiaries		(177)	(6,235)
Payments of loans receivable		(22,069)	(22,652)
Collection of loans receivable		15,496	23,957
Payments for lease and guarantee deposits		(1,172)	(986)
Proceeds from collection of lease and guarantee deposits		483	392
Others, net		(2,175)	1,185
Net cash used in investing activities		(16,642)	(27,035)
Net cash from (used in) financing activities			
Increase in short-term loans payable		39,259	10,009
Proceeds from long-term loans payable		9,000	6,020
Repayment of long-term loans payable		(15,849)	(12,879)
Proceeds from issuance of bonds payable		71,019	89,816
Redemption of bonds payable		(113,100)	(70,060)
Proceeds from stock issuance		35,698	16,716
Proceeds from stock issuance to minority interests		1,797	109
Contributions from minority shareholders in consolidated investment funds		4,083	1,790
Cash dividend paid		(1,673)	(2,383)
Cash dividend paid to minority shareholders		(225)	(183)
Distributions to minority shareholders in consolidated investment funds		(3,864)	(5,434)
Proceeds from disposal of treasury stock		—	38
Purchases of treasury stock		(4)	(2,940)
Others, net		(985)	(1,089)
Net cash from financing activities		25,154	29,529
Effect of changes in exchange rate on cash and cash equivalents		(2,893)	(1,655)
Net increase (decrease) in cash and cash equivalents		4,876	(4,133)
Increase in cash and cash equivalents from newly consolidated subsidiaries		1,337	961
Decrease in cash and cash equivalents resulting from deconsolidation of subsidiaries		(28)	(20)
Increase in cash and cash equivalents resulting from merger		19	0
Cash and cash equivalents at beginning of year		142,581	148,786
Cash and cash equivalents at end of year	X.1	¥ 148,786	¥145,594

I. BASIS OF PRESENTATION

The Consolidated Financial Statements of SBI Holdings, Inc. (the "Company") and its consolidated subsidiaries (hereinafter referred to as the "Group") were prepared in accordance with the accounting principles generally accepted in Japan ("JGAAP") and were presented by reference to the "Rules Governing Term, Form and Preparation of Consolidated Financial Statements" (Finance Ministerial Order the 28th, 1976, which is hereinafter referred to as the "Consolidated Financial Statements Rule"). The Consolidated Financial Statements of the Group have been prepared on the historical cost basis except for certain financial instruments such as certain investments and derivatives, which are stated at fair value, the details of which are listed below.

The Consolidated Financial Statements are presented in Japanese Yen ("Yen" or "¥").

II. SIGNIFICANT ACCOUNTING POLICIES

1. Accounting policies

(1) Scope of consolidation and application of the equity method

(a) Under the control or influence concept, those companies in which the Group, directly or indirectly, is able to exercise control are consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for using the equity method.

(b) All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit or loss resulting from intercompany transactions is eliminated.

(c) Basis for exclusion from scope of consolidation

(i) Small size entities of which total assets, sales, and proportional share of net income and retained earnings are considered to be immaterial are excluded from consolidation. Investments in partnerships which are classified as subsidiaries under Practical Issues Task Force ("PITF") No. 20—"Practical Solution on Application of Control," issued on 8 September 2006, are excluded from consolidation as the effect of consolidation may be misleading to investors, in accordance with the item (ii) of Article 5 (1) of the Consolidated Financial Statements Rule.

(ii) Venture capital investments are excluded from the scope of consolidation since the purpose of investments are not for exercising control but to foster the development of venture capital portfolios.

(d) Basis for not applying the equity method

(i) Small size entities of which proportional share of net income and retained earnings are considered to be immaterial individually and collectively are not accounted for using the equity method.

(ii) Venture capital investments are not accounted for using the equity method since the purpose of investments are not for exercising significant influence but to foster the development of venture capital portfolios.

(e) Consolidated financial statements are prepared based on the financial statements of each reporting entity and adjustments are made when their year end dates are different over 3 months.

(2) Valuation method of significant assets

(a) Trading instruments

Trading instruments, which are held for the purpose of earning capital gains in the near term, are reported at fair value, with the related unrealized gains and losses included in income.

(b) Available-for-sale securities (consist of investment securities and operational investment securities other than investments in funds), which are not classified as trading instruments:

(i) Listed securities

Listed securities are measured at fair value, with fair value gains and losses, net of applicable taxes, reported as "unrealized gains (losses) on available-for-sales securities," a separate component of net assets. The cost of securities sold is determined based on the moving average cost method.

(ii) Unlisted securities

Unlisted securities are principally stated at cost less impairment, determined by the moving average cost method. However, unlisted available-for-sale securities held by certain overseas subsidiaries adopting International Financial Reporting Standards are measured at fair value.

(c) Investments in funds

For the investments in funds other than those included in the scope of consolidation, the Company's proportionate share in the net assets of the funds is calculated based on the funds' annual financial statements or interim financial statements and is presented as "Operational investment securities" (Current assets) or "Investment securities" (Non-current assets).

(d) Derivative contracts

Derivative contracts are measured at fair value.

(e) Real estate inventories

Real estate inventories are measured at the lower of cost or net realizable value.

(3) Depreciation method of depreciable assets

(a) Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation of property and equipment by the Company and its consolidated subsidiaries is computed using the declining-balance method over the estimated useful lives of assets while the straight-line method is applied to buildings acquired after 1 April 1998. The range of useful lives is principally from 5 to 50 years for buildings, and from 4 to 20 years for furniture and fixtures. Most overseas consolidated subsidiaries apply the straight-line method. Leased assets are depreciated by the straight-line method over the lease terms with a residual value of zero.

(b) Land

Land is stated at cost less impairment.

(c) Intangible assets

(i) Software used for internal purposes is amortized using the straight-line method over the estimated useful life of the software (5 years).

(ii) Software for sale is amortized using the straight-line method over the estimated saleable period of the software, which is 3 years or less.

(iii) Leased assets are depreciated by using the straight-line method over the lease terms with a residual value of zero.

(4) Recognition and measurement of significant provisions and allowances

(a) Allowance for investment losses

Allowance for investment losses for operational investment securities and investment securities are provided based on the estimated losses of the investments and the financial condition of the investees.

(b) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on the Group's past credit loss experience and an evaluation of the recoverability of the outstanding receivables including notes and accounts receivable-trade, operational loans receivable, loans on margin transactions and other loans receivable.

(c) Provision for bonuses

The Group provided provisions for bonuses to employees based on the estimation of the current year portion of future payments.

(d) Employees' retirement benefits

The Group recorded liabilities for employees' retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The simplified method was used and under such method, the liabilities were recognized and measured by assuming all the employees voluntarily retired at the end of the year.

(e) Statutory reserve for securities transactions liabilities/financial products transactions

Pursuant to Article 46–5 of the Financial Instruments and Exchange Act, certain consolidated subsidiaries provide statutory reserve against possible losses resulting from execution errors related to securities business transactions. The amount is calculated in accordance with Article 175 of the "Cabinet Office Ordinance concerning Financial Instruments Business."

(f) Statutory reserve for price fluctuation

The Group provides statutory reserve against possible losses resulting from stock price fluctuations in accordance with Article 115 of the Insurance Business Act.

(5) Recognition for net sales and cost of sales

Net sales and cost of sales

The Group's net sales primarily consist of fees from funds, revenue from operational investment securities, revenue from real estate business, and revenue from securities transactions. The costs of sales principally consist of the cost of operational investment securities, the related provision of allowance for investment losses, and cost of real estate business.

(a) Revenue and cost of operational investment securities

Revenue from operational investment securities includes all of the revenue which is related to or generated by operational investment securities and securities held by funds. Cost of operational investment securities consists of the carrying value on the sale of operational investment securities and securities held by funds, and the write-down of operational investment securities and securities held by funds.

(b) Fees from funds

Fees from funds consist of establishment fees for fund organization, management fees, and success fees from funds which are not within the scope of consolidation and managed by the Group. Management fees from funds are recognized over the period of the fund management agreement. Establishment fees and success fees from funds are recognized when those revenue amounts are determined and the services are provided.

(c) Revenue from construction projects

When the total construction revenue, total construction costs and the stage of completion of the contract can be reliably measured at the balance sheet date, the percentage-of-completion method is applied. The stage of completion is assumed to be the portion of the project's costs incurred to the balance sheet date divided by total estimated costs, "cost-to-cost method." If the outcome of a construction contract cannot be reliably estimated at the balance sheet date, the completed contract method is applied.

(d) Revenue from securities transactions

Revenue from securities transactions primarily consists of brokerage commissions from securities transactions, fees from underwriting activities and offerings of securities for initial public offerings, and fees for placements and sales of securities.

(e) Revenue from finance lease transactions

Revenue and cost of finance lease transactions are recognized when payments are received.

(f) Financial charges and cost of funding

Financial charges and cost of funding, which consist of interest expense for margin trading transactions and costs from repurchase agreement transactions, etc. which are related to the investment banking businesses, are recorded as cost of sales. As for certain consolidated subsidiaries, interest expense other than financial charges is classified as interests related to operating assets (e.g. leases receivable and lease investment assets, etc.) or to non-operating assets. Interest expense (cost of funding) related to operating assets is classified as cost of sales. During the development of a project, interest expense related to long-term and large-scale real estate development is included in the cost of the real estate inventories.

(6) Translations of significant assets and liabilities denominated in foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese Yen using the exchange rates at the balance sheet date, and the translation adjustment is recognized as foreign exchange gains or losses. The balance sheets of the consolidated foreign subsidiaries are translated into Japanese Yen using their exchange rate as at the balance sheet date except for net assets, which are translated at the historical rates. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese Yen using the average exchange rate of the year. Differences arising from such translation are shown as "Foreign currency translation adjustments," as a separate component under "Net assets" except for the portion pertaining to the minority shareholders, which is included under "Minority interests" as a separate component under "Net assets."

(7) Accounting for significant lease transactions

In March 2007, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after 1 April 2008.

(a) Lessee

ASBJ Statement No. 13 requires that all finance lease transactions be capitalized to recognize leased assets and lease obligations in the balance sheet. In addition, leases which existed at the transition date and did not transfer ownership of the leased assets to the lessee continue to be accounted for as operating lease transactions with certain "as if capitalized" information disclosed in the notes to the lessee's financial information.

The Group continues to account for leases which existed at the transition date that did not transfer ownership of the leased assets to the lessee as operating lease transactions.

(b) Lessor

ASBJ statement No. 13 requires that all finance leases be recognized as leases receivable, and that all finance leases that are deemed not to transfer ownership of the assets leased to other parties under operating leases be recognized as lease investment assets. For the finance leases which existed at the transition date and did not transfer ownership of the assets leased to other parties under operating leases, the book value of the leased assets (after deducting accumulated depreciation) at the transition date is used as the beginning value of the lease investment assets.

The Group adopted ASBJ statement No. 13 on 1 April 2008. Leases receivable and lease investment assets are stated at cost less accumulated depreciation. Depreciation is computed by using the straight-line method over the useful life with a residual value of zero.

(8) Accounting for significant hedging transactions

(a) Accounting for hedges

The Group applies deferred hedge accounting when certain criteria are met. Foreign currency forward contracts are used to hedge foreign currency exposures in the Group. Receivables, payables and investment securities denominated in foreign currencies are translated at the contracted rates if the forward contracts are qualified for hedge accounting. Interest rate swaps, which are qualified for hedge accounting and met the specific matching criteria, are not revaluated at fair market value. The differential paid or received under the swap agreements is recognized and included in interest expense or income.

(b) Hedging instruments and hedged item

(i) Hedging instruments—foreign currency forward contracts
Hedged items—foreign currency denominated receivables and payables and investment securities

(ii) Hedging instruments—interest rate swap contracts
Hedged items—loans and bonds payables

(c) Hedging policy

(i) For foreign currency-denominated transactions, the foreign currency forward contracts are used to hedge foreign currency exposures in the Group.

(ii) For interest expense on borrowing, interest rate swap contracts are utilized to mitigate the volatility of interest rates.

(d) Assessment of effectiveness between the hedging instrument and the hedged item

(i) The Group does not assess the hedge effectiveness of foreign currency forward contracts which qualify for hedge accounting and meet specific matching criteria.

(ii) The Group assesses hedge effectiveness by comparing the cumulative changes in the fair value of the hedged items and the hedging instruments during the period from commencement of hedging to the point of assessing effectiveness, based on changes in both amount and others. The Group does not assess the hedge effectiveness of interest rate swaps which qualify for hedge accounting and meet specific matching criteria.

(9) Accounting for amortization of goodwill

Goodwill is amortized using the straight-line method to allocate the cost over the expected beneficial period, or over 20 years if the beneficial period could not be reasonably estimated. However, goodwill could be recognized as an expense as incurred if the amount is immaterial.

(10) Cash and cash equivalents stated in the consolidated statement of cash flows

Cash and cash equivalents stated in the consolidated statement of cash flows are cash and deposits or short-term investment securities that are readily convertible into cash, and are not exposed to significant risk of changes in value, all of which will mature or become due within three months from the date of acquisition.

2. Other significant accounting policies for consolidated financial statements

(1) Business combination

For the period beginning on 1 April 2010:

In December 2008, the ASBJ issued a revised accounting standard for business combinations, "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on 26 December 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on 26 December 2008), "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23 issued on 26 December 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 (Revised 2008) issued on 26 December 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 (Revised 2008) released on 26 December 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 (Revised 2008) issued on 26 December 2008), hereinafter referred to as "revised standards." The revised standards were effective for the business combinations transactions undertaken on or after 1 April 2010 and are applied prospectively.

Major accounting changes under the revised accounting standards are as follows:

(i) The previous accounting standard for business combinations allowed companies to apply the pooling of interests method of accounting when certain specific criteria were met such that the business combination was essentially regarded as a uniting of interests. The revised standards require accounting for such business combinations by the purchase method and the pooling of interests method of accounting is no longer allowed.

(ii) The previous accounting standard accounted for the research and development costs to be charged to income as incurred. Under the revised standards, an in-process research and development (IPR&D) acquired by a business combination is capitalized as an intangible asset.

(iii) Under the previous accounting standard, a bargain purchase (negative goodwill) was capitalized and amortized within 20 years. Under the revised standards, a bargain purchase is recognized as profit on the acquisition date.

(iv) Under the previous accounting standard, when a parent obtained control over a subsidiary by a step acquisition, goodwill was measured on the date the parent obtained control as the difference between (a) the aggregate carrying amount of any previously held equity interests and the purchase consideration and (b) the net amount of the fair value of assets and the liabilities attributable to the parent on the date the parent obtained control. Under the revised standards, the acquirer should remeasure its previously held equity interests in the acquiree at its acquisition-date fair value and recognize any resulting gain or loss. Goodwill is measured at the acquisition date as the difference between (1) the aggregate of the acquisition-date fair value of the consideration transferred, the amount of any non-controlling interests in the entity acquired and the acquisition-date fair value of any previously held equity interests in the entity acquired and (2) the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed.

(2) Accounting for investments in funds

For the investments in funds categorized as subsidiaries but not within the scope of consolidation, the Company's proportionate share in the net assets and revenue/expenses of those funds is calculated based on the funds' annual financial statements or semi-annual financial statements and is presented as "Investment securities" (Non-current assets) and revenue/expenses, respectively.

For the investments in funds held for operational investment purposes, which are not categorized as subsidiaries, the Company's proportionate share in the net assets and revenue/expenses of those funds is calculated based on the funds' annual financial statements or interim financial statements and is presented as "Operational investment securities" (Current assets) and revenue/expenses, respectively.

For the investment in funds other than those held for operational investment purposes, which are not categorized as subsidiaries, the Company's proportionate share in the net assets and revenue/expenses of those funds is calculated based on the funds' annual financial statements or interim financial statements and is presented as "Investment securities" (Non-current assets) and non-operating income/expenses, respectively.

(3) Deferred charges

(a) Stock issuance costs

Stock issuance costs are amortized over 3 years by using the straight-line method.

(b) Bond issuance costs

Bond issuance costs are amortized over the bond term by using the straight-line method.

(c) Deferred operating costs under Section 113 of the Insurance Business Act

These deferred operating costs can be amortized within 10 years according to section 113 of the Insurance Business Act of Japan.

(4) Accounting for consumption tax

The amounts in the consolidated financial statements are presented without consumption or local consumption taxes.

(5) Cash segregated as deposits

Cash segregated as deposits are mainly client's trust money and cash deposited as collateral under the regulatory requirement, and stated at cost.

(6) Loans and receivables

Loans and receivables including notes and accounts receivable—trade, operational loans receivable and other loans receivable are measured at historical cost less allowance for doubtful accounts. The carrying amount of loans and receivables is reduced through the use of an allowance account. Margin loans receivable are stated at amounts equal to the purchase amounts of the relevant securities, which are collateralized by customers' securities and customers' deposits. (See the accounting policy in respect of allowance for doubtful accounts).

(7) Deposits from customers and guarantee deposits received

Deposits received are mainly deposits received from customers and guarantee deposits received which are recognized at cost.

(8) Impairment losses on non-current assets

The Group reviews their non-current assets for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset or asset group may not be recoverable.

An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.

The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(9) Asset retirement obligation

Asset retirement obligation is recognized when there is a present obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The asset retirement obligation is measured at the present value.

(10) Borrowings

Borrowings are stated at cost, which represent the loans payable and bonds payable outstanding at the balance sheet date.

(11) Retail margin trading liabilities

Retail margin trading liabilities are stated at cost.

(12) Stock options

ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after 1 May 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and expense over the vesting period as consideration for receiving goods or services.

The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock options granted or the goods or services received. In the consolidated balance sheets, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

The standard covers equity-settled share-based payment transactions but does not cover cash-settled share-based payment transactions. The standard allows the stock options granted by unlisted companies to be measured at their intrinsic value if their fair values cannot be reliably estimated. The Group applied this accounting standard for stock options granted after 1 May 2006.

(13) Bonuses to directors and statutory auditors

Bonuses to directors and statutory auditors are accrued at the balance sheet date.

(14) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

A valuation allowance is provided for deferred tax assets if it is more likely than not that these items will either expire before the Group is able to realize their benefits, or that future deductibility is uncertain.

(15) Per share information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends attributable to the respective years including dividends to be paid after the end of the year.

III. NEW AND REVISED ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Revision of Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22) and related Implementation Guidance and Practical Solution (revised on 25 March 2011, the "Revised Standards")

Before the revision of accounting standards, the special purpose company under certain conditions was not presumed to be a subsidiary of the investor or company which transfers its assets to the special purpose company. Under the Revised Standards, only the company which transfers its assets can apply the presumption. The Group plans to apply the Revised Standards from the beginning of fiscal year ending 31 March 2014.

Since no entities have been presumed to be a subsidiary under the current accounting standard, no significant affect on the consolidated financial statements.

IV. CHANGES IN PRESENTATION

The following presentation changes are reflected on respective consolidated statements of operations:

1. "Amortization of stock issuance costs" and "Amortization of bond issuance costs," which were separately presented for the year ended 31 March 2011, were included in "Others" of "Non-operating expense" in the consolidated statements of operations for the year ended 31 March 2012 as the amounts were immaterial. As a result, "Amortization of stock issuance costs" and "Amortization of bond issuance costs" for the year ended 31 March 2011 of ¥50 million and ¥90 million, respectively, were reclassified into "Others" of "Non-operating expense."
2. "Reversal of allowance for doubtful accounts" and "Gains on the changes in interests in consolidated subsidiaries and equity method investees," which were separately presented in the consolidated statements of operations for the year ended 31 March 2011 were included in "Others" of "Extraordinary income" in the consolidated statements of operations for the year ended 31 March 2012 as the amounts were immaterial. As a result, "Reversal of allowance for doubtful accounts" and "Gains on the changes in interests in consolidated subsidiaries and equity method investees" for the year ended 31 March 2011 of ¥68 million and ¥63 million, respectively were reclassified into "Others" of "Extraordinary income."
3. "Losses on the changes in equity interests in consolidated subsidiaries and equity method investees" and "Losses on retirements of non-current assets," which were separately presented in the consolidated statements of operations for the year ended 31 March 2011 were included in "Others" of "Extraordinary expense" in the consolidated statements of operations for the year ended 31 March 2012 as the amounts were immaterial. As a result, "Losses on the changes in equity interests in consolidated subsidiaries and equity method investees" and "Losses on retirements of non-current assets" for the year ended 31 March 2011 of ¥23 million and ¥193 million, respectively, were reclassified into "Others" of "Extraordinary expense."

V. ADDITIONAL INFORMATION

Application of Accounting Standard for Accounting Changes and Error Corrections

The Company has applied "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24 issued on 4 December 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 issued on 4 December 2009) to the accounting changes and error corrections which have been made after 31 March 2011.

Stock Benefit Trust

At the board meeting held on 29 September 2011, the Directors of the Company resolved to introduce "Stock Benefit Trust (Employee Stockholding Association Purchase-type)" (hereinafter the "Plan" and the "Trust").

The purpose of the Plan is to improve employees' welfare and to increase their motivations for work and awareness of the Company's stock performance through its steady provision of stock to the employee stockholding association and distribution of the profit created by trust property management in order to increase the Company's corporate value.

Accounting for the Trust is based upon the assumption that the Company and the Trust are inseparable. The Company's stock held by the Trust is accounted for as treasury stock while the Trust's assets and liabilities as well as its income and expenses are included in the Group's consolidated financial statements. The number of the stocks held by the Trust is included in the number of treasury stock and not included in the number of shares outstanding for the calculation of per share information. The number of treasury stock held by the Trust as at 31 March 2012 was 70,604 shares.

Adoption of the Consolidation Tax Fillings

The Company and certain subsidiaries made an application for the consolidation tax fillings to the tax authority in December 2011. The application was approved, and the consolidation tax fillings will be adopted from the fiscal year beginning on 1 April 2012. Preparing for the adoption, the financial statements for this fiscal year are presented in accordance with "Tentative Solution for the Deferred Tax Accounting on Application of Tax Consolidation (part 1)" (Practical Issues Task Force No. 5 revised on 18 March 2011) and "Tentative Solution for the Deferred Tax Accounting on Application of Tax Consolidation (part 2)" (Practical Issues Task Force No. 7, 30 June 2010).

VI. NOTES TO CONSOLIDATED BALANCE SHEETS

1. Operational investment securities

As at 31 March 2011 and 2012, operational investment securities included investments in funds and direct investments. Investment in funds included in operational investment securities consisted of the following:

	As at 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
New Horizon Capital, L.P	17,041	**9,237**
NEW HORIZON FUND, L.P	5,231	**4,713**
New Horizon Capital III, L.P	2,069	**3,080**
SBI & BDJB CHINA FUND, L.P	2,370	**2,885**
Jefferies SBI USA Fund L.P.	795	**1,631**
SBI BB MEDIA INVESTMENT LIMITED PARTNERSHIP	1,217	**1,195**
LC Fund III, L.P.	1,029	**1,039**
Others	1,989	**4,161**
Subtotal (Investments in funds)	31,746	**27,944**
Direct investments	110,135	**120,155**
Total	141,881	**148,099**

2. Real estate inventories

Real estate inventories consisted of the following:

	As at 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
Real estate for sale	7,505	**3,866**
Real estate for sale in progress	7,083	**6,430**
Real estate for development	1,403	**1,403**
Beneficial interest in real estate investment trust	821	**—**
Total	16,812	**11,699**

3. Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates are as follows:

	As at 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
Investment securities	43,463	**51,087**

The above investment securities include investments in jointly controlled entities of ¥20,763 million and ¥23,816 million as at 31 March 2011 and 2012, respectively.

4. Pledged assets

Pledged assets consisted of the following:

	As at 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
Cash and deposits	521	**1**
Notes and accounts receivable—trade	2,126	**417**
Operational investment securities	420	**1,291**
Operational loans receivable	3,206	**3,047**
Real estate inventories	747	**537**
Others—current assets	4,593	**3,407**
Buildings	4,570	**4,391**
Land	5,063	**5,475**
Investment securities	1,937	**1,314**
Total	23,188	**19,883**
The assets were pledged as collateral for:		
Short-term loans payable	9,038	**1,318**
Current portion of long-term loans payable	1,291	**1,402**
Current portion of bonds payable	60	**60**
Long-term loans payable	8,269	**12,040**
Bonds payable	540	**480**

Besides the above, securities received as collateral for financing from broker's own capital of ¥1,163 million and ¥7,422 million were pledged as collateral for borrowings on margin transactions as at 31 March 2011 and 2012, respectively.

5. Contingent liabilities

Guarantees for the debts owed to other financial institutions in the Group's credit guarantee business are as follows:

	As at 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
Guarantee of bank loans	18,234	**47,169**

6. Off-balance sheet items—Fair values of the securities deposited in securities-related businesses

Securities deposited in securities-related businesses represented securities lent to customers under securities lending arrangements.

Fair values of the securities deposited in securities-related businesses are as follows:

	As at 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
Securities loaned on margin transactions	73,267	**101,846**
Securities pledged for borrowings on margin transactions	71,241	**75,482**
Substitute securities for pledged margin transactions (except those related to customer's direct deposit)	39,118	**27,365**
Substitute securities for guarantee money paid	41,234	**42,910**
Securities loaned under loan agreements	60,481	**79,211**

7. Off-balance sheet items—Fair values of the securities received in securities-related businesses

Securities received in securities-related businesses represented securities borrowed by the Group under securities lending arrangements.

Fair values of the securities received in securities-related businesses are as follows:

	As at 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
Securities pledged for loans on margin transactions	211,846	**213,600**
Securities borrowings on margin transactions	20,976	**39,360**
Substitute securities for guarantee money received, which were agreed on as collateral for other transactions	250,092	**243,550**
Substitute securities for margin money received, which were agreed on as collateral for other transactions	100	**100**
Securities borrowed under loan agreements other than margin transactions	71,880	**79,073**

8. Trading instruments

Trading instruments consisted of the following:

	As at 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
Equity securities	28	—
Debt securities	188	326
Others	4	4
Subtotal	222	331
Derivatives	2,479	1,431
Total	2,701	1,763

9. Statutory reserves

As at 31 March 2011 and 2012, a reserve for the financial products transaction liabilities was provided in accordance with Article 46-5 of the Japanese Financial Instruments and Exchange Act, and a statutory reserve for price fluctuations was provided in accordance with Article 115 of the Insurance Business Act.

10. Credit facilities provided

Several consolidated subsidiaries were engaged in retail loan business, cash advance business for credit cards, and financing corporate reorganization. The credit facilities provided by these subsidiaries in respect of their operations as at March 31 2011 and 2012 are as follows:

	As at 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
Credit facilities	5,986	6,634
Utilized	2,928	3,879
Unused portion	3,057	2,754

It is noted that the above credit facilities can be utilized only if certain conditions are met. The purpose for the borrowings and any credit rating changes of the customers could result in the withdrawal of credit facilities.

11. Lines of credit from financial institutions

To ensure an efficient operating funds procurement, the Group entered into overdraft facilities with 21 banks as at 31 March 2012. Unused overdraft facilities as at March 31 2011 and 2012 are as follows:

	As at 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
Lines of credit	160,700	191,030
Used balance	84,424	80,006
Unused portion	76,276	111,023

VII. NOTES TO CONSOLIDATED STATEMENTS OF OPERATIONS

1. Gains (losses) on trading included in net sales consisted of the following:

	Year ended 31 March					
	2011			2012		
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
	Realized	Unrealized	Total	Realized	Unrealized	Total
Equity securities	14	0	14	23	0	23
Debt securities	1,307	(23)	1,284	1,003	12	1,016
Others	8,984	1,628	10,613	8,634	1,167	9,801
Total	10,306	1,605	11,911	9,660	1,179	10,840

The above trading gains (losses) included gains (losses) on certain businesses other than securities-related business of ¥55 million and ¥6 million for the years ended 31 March 2011 and 2012, respectively.

2. Cost of sales consisted of the following:

	Year ended 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
Cost of sales arising from operational investment securities	7,031	**13,026**
Provision of allowance for operational investment securities losses	5,957	**375**
Financial charges	3,872	**3,612**
Cost of sales arising from real estate inventories	5,465	**6,113**
Others	45,208	**51,623**
Total	67,535	**74,750**

Cost of sales arising from operational investment securities includes valuation losses of ¥1,652 million and ¥4,044 million for the years ended 31 March 2011and 2012, respectively. Others included financial costs and payrolls related to net sales.

3. Selling, general and administrative expenses include the following:

	Year ended 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
Payroll and bonuses	10,552	**10,830**
Provision of allowance for doubtful accounts	2,407	**1,694**
Provision of bonuses	61	**97**
Outsourcing fees	11,188	**11,361**
Amortization of goodwill	7,889	**7,866**

4. Research and development costs included in selling, general and administrative expenses

	Year ended 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
Research and development costs included in selling, general and administrative expenses	542	**1,156**

5. The Group recorded the following impairment losses:

For the year ended 31 March 2011

Business	Category	Items	Location	Impairment loss amount (Millions of yen)
Brokerage & Investment Banking Business	Assets for online securities operation system	Buildings, furniture and fixtures, software and leased assets	Tokyo	350
Financial Services Business	Assets for operation of car-related information site	Buildings, furniture and fixtures and software, etc.	Tokyo	150
Others	Assets for healthcare-related business	Buildings, furniture and fixtures and software, etc.	Tokyo, etc.	360

(1) Grouping of assets

The grouping of assets was generally based on the smallest cash-generating unit that generates cash inflows that are independent of the cash inflows from other groups. The grouping of lease property and unutilized assets was based on individual assets.

(2) Background to recognize impairment loss

In the Brokerage & Investment Banking Business, implementation of a new online securities operation system necessitated the disposal of the assets used for the prior operation system. Since the recoverable amount was less than the carrying amount, the difference between the recoverable amount and the carrying amount of the assets was recognized as an impairment loss. The amounts of impairment losses for buildings, furniture and fixtures, software and leased assets were ¥2 million, ¥16 million, ¥36 million and ¥295 million, respectively.

In the Financial Services Business, the difference between the recoverable amount and the carrying amount of assets used for the operation of the car-related information site was recognized as an impairment loss due to no expectation of initially expected profits. The amounts of impairment losses for buildings, furniture and fixtures, software and other assets were ¥3 million, ¥7 million, ¥138 million and ¥2 million, respectively.

In the Healthcare-related Business, the difference between the recoverable amount and the carrying amount of assets used for healthcare operations was recognized as an impairment loss due to no expectation of initially expected profits. The amounts of impairment losses for buildings, furniture and fixtures, software and other assets were ¥29 million, ¥86 million, ¥233 million and ¥10 million, respectively.

(3) Calculation of the recoverable amount

For the assets to be disposed of, the recoverable amount is the net sales value of zero. For the other assets, the recoverable amount is the value in use based on the future cash flow.

For the year ended 31 March 2012

Business	Category	Items	Location	Impairment loss amount (Millions of yen)
Financial Services Business	Assets for credit card business, etc.	Buildings, furniture and fixtures and software, etc.	Tokyo	105
Housing and Real Estate Business	Lease property	Buildings and land, etc.	Aichi, Fukuoka	128

(1) Grouping of assets

The grouping of assets was generally based on the smallest cash-generating unit that generates cash inflows that are independent of the cash inflows from other groups. The grouping of lease property and unutilized assets was based on individual assets.

(2) Background to recognize impairment loss

In the Financial Services Business, the difference between the recoverable amount and the carrying amount of assets used for the credit card business, etc was recognized as an impairment loss due to no expectation of initially expected profits. The amounts of the impairment losses for buildings, furniture and fixtures, software and other assets were ¥2 million, ¥14 million, ¥78 million and ¥9 million, respectively.

In the Housing and Real Estate Business, the difference between the recoverable amount and the carrying amount of assets was recognized as an impairment loss due to the significant decrease in the price of lease property. The amounts of impairment losses for buildings and land were ¥47 million and ¥80 million, respectively.

(3) Calculation of the recoverable amount

For lease property, the recoverable amount is calculated with the net sales value by using real estate valuation. For the other assets, the recoverable amount is calculated with the value in use based on the future cash flow.

VIII. NOTES TO CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Reclassification adjustment and income tax effect on other comprehensive income for the year ended 31 March 2012 is as follows:

	(millions of Yen)
Unrealized losses on available-for-sale securities:	
Gains arising during the year	3,480
Reclassification adjustments to profit or loss	(3,645)
Amount before income tax effect	(164)
Income tax effect	1,554
Total	1,389
Deferred gains (losses) on derivatives under hedge accounting:	
Gains arising during the year	(3)
Reclassification adjustments to profit or loss	4
Amount before income tax effect	0
Income tax effect	4
Total	5
Foreign currency translation adjustment:	
Adjustments arising during the year	(1,438)
Reclassification adjustments to profit or loss	155
Total	(1,283)
Share of other comprehensive income in associates:	
Gains arising during the year	(2,218)
Reclassification adjustments to profit or loss	237
Total	(1,981)
Total other comprehensive income	(1,869)

IX. NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

1. Outstanding number of capital stock and treasury stock

Year ended 31 March 2011	As at 31 March 2010 (shares)	Increase (shares)	Decrease (shares)	As at 31 March 2011 (shares)
Outstanding capital stock				
Common shares (Note)	16,782,291	3,161,727	—	19,944,018
Treasury stock				
Common shares	14,621	—	—	14,621

Note: The increase in common shares of 3,161,727 shares consisted of newly issued 3,112,000 shares of which the settlement date was 23 June 2010, and increase in 49,727 shares by the exercise of stock acquisition rights.

Year ended 31 March 2012	As at 31 March 2011 (shares)	Increase (shares)	Decrease (shares)	As at 31 March 2012 (shares)
Outstanding capital stock				
Common shares (Note 1)	19,944,018	2,507,285	—	22,451,303
Treasury stock				
Common shares (Notes 2, 3 and 4)	14,621	508,125	80,653	442,093

Notes: 1. The increase in common shares of 2,507,285 shares consisted of newly issued 2,000,000 shares through an offering of Hong Kong Depositary Receipts, 432,216 shares and 74,709 shares, respectively for the acquisition of SBI VeriTrans Co., Ltd. and SBI Net Systems Co., Ltd. becoming wholly owned subsidiaries through share exchanges and 360 shares by the exercise of stock acquisition rights.

2. As stated in "V. ADDITIONAL INFORMATION," accounting treatment for the Trust is based upon the assumption that the Company and the Trust are inseparable, thus shares held by the Trust were included in the above movement of treasury stock—common shares.

3. The increase of 508,125 common shares in treasury stock consisted of 321,373 shares acquired as treasury stock subject to Article 156 (replacement of the third paragraph of Article 165) of the Companies Act; 60,000 shares acquired in response to the share purchase demand related to the share exchange to make SBI VeriTrans Co., Ltd. a wholly owned subsidiary in accordance with the first paragraph of Article 797 of the Companies Act; 50,116 shares acquired by a subsidiary related to the acquisition of SBI Net Systems Co., Ltd., to become a wholly owned subsidiary through share exchange and the remaining 76,636 shares acquired by the Trust.

4. The decrease of 80,653 common shares in treasury stock consists of reissuance of 74,621 shares to acquire the remaining share of SBI Net Systems Co., Ltd. to make it a wholly owned subsidiary of the Company and 6,032 shares sold by the Trust to the employee stockholding association.

2. Stock acquisition rights

Year ended 31 March 2011

Entity	Details of stock acquisition rights	Type of share	Number of shares for stock acquisition rights (shares): As at 31 March 2010	Increase	Decrease	As at 31 March 2011	As at 31 March 2011 (millions of Yen)
Reporting entity (the Company)	Stock acquisition rights (Notes 1, 2 and 3)	Common shares	313,512.64	6,811.13	66,405.53	253,918.24	—
Consolidated subsidiaries	—	—	—	—	—	—	11
Total	—	—	—	—	—	—	11

Notes: 1. Stock acquisition rights were exercisable during the year ended 31 March 2011.

2. The increase in stock acquisition rights was due to the adjustment of the number of shares for stock acquisition rights accompanying the issuance of new shares by offering.

3. The decrease in stock acquisition rights was due to the exercise and expiration of the rights.

Year ended 31 March 2012

Entity	Details of stock acquisition rights	Type of share	Number of shares for stock acquisition rights (shares): As at 31 March 2011	Increase	Decrease	As at 31 March 2012	As at 31 March 2012 (millions of Yen)
Reporting entity (the Company)	Stock acquisition rights (Notes 1, 2 and 3)	Common shares	253,918.24	3,404.10	15,234.16	242,088.18	—
Consolidated subsidiaries	—	—	—	—	—	—	10
Total	—	—	—	—	—	—	10

Notes: 1. Stock acquisition rights were exercisable during the year ended 31 March 2012.

2. The increase in stock acquisition rights was due to the adjustment of the number of shares for the issuance of new shares through offering of Hong Kong Depositary Receipts.

3. The decrease in stock acquisition rights was due to the exercise and expiration of the rights.

3. Dividends

Dividends paid

Year ended 31 March 2011

Resolution	Type of share	Dividend amount (millions of Yen)	Amount per share (Yen)	Declared date	Effective date
Board of Directors' Meeting on 26 May 2010	Common shares	1,676	100	31 March 2010	14 June 2010

Year ended 31 March 2012

Resolution	Type of share	Dividend amount (millions of Yen)	Amount per share (Yen)	Declared date	Effective date
Board of Directors' Meeting on 27 April 2011	Common shares	2,391	120	31 March 2011	9 June 2011

Dividend whose declared date fell in the year ended 31 March 2012, and whose effective date will be in the year ended 31 March 2013

Resolution	Type of share	Dividend amount (millions of Yen)	Dividend resource	Amount per share (Yen)	Declared date	Effective date
Board of Directors' Meeting on 26 April 2012	Common shares	2,207	Retained earnings	100	31 March 2012	7 June 2012

X. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

1. Cash and cash equivalents reconciliation

	Year ended 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
Cash and deposits	150,268	**146,055**
Time deposits with original maturity of more than three months	(1,623)	**(629)**
Money Market Fund (MMF) included in trading instruments	142	**168**
Deposit included in others (current assets)	0	**—**
Cash and cash equivalents	148,786	**145,594**

2. Cash paid/received resulting from change in scope of consolidation

For the year ended 31 March 2011

The followings are details of the business combination, acquisition of SBI Global Investment Co., Ltd.:

	millions of Yen
Current assets	1,562
Non-current assets	47
Goodwill	281
Current liabilities	(604)
Minority interests	(601)
Consideration paid for stocks of SBI Global Investment Co., Ltd.	685
Carrying value of previously held equity interest	(493)
Loss arising from remeasurement of the previously held equity interest	189
Cash and cash equivalents of SBI Global investment Co., Ltd.	(133)
Difference: Net cash paid in acquisition of SBI Global investment Co., Ltd.	248

For the year ended 31 March 2012

The followings are details of the sale of stock of SBI VeriTrans Co., Ltd., a former subsidiary:

	millions of Yen
Current assets	**9,139**
Non-current assets	**970**
Goodwill	**1,576**
Current liabilities	**(7,225)**
Non-current liabilities	**(11)**
Minority interests	**(69)**
Gains arising from selling stocks	**8,618**
Consideration to be received from sales of stocks of SBI VeriTrans Co., Ltd.	**13,000**
Accounts receivable—others	**(13,000)**
Cash and cash equivalents of SBI VeriTrans Co., Ltd.	**(7,493)**
Difference: Cash paid from sales of investment in SBI VeriTrans Co. Ltd.	**(7,493)**

XI. NOTES TO LEASE TRANSACTIONS

LESSEE

1. Finance lease

Finance lease transactions commenced before 31 March 2008 that did not transfer ownership are accounted for in a manner similar to an operating lease transaction. The information regarding these leases is as follows:

(a) Pro forma information of leased assets, on an "as if capitalized" basis as at 31 March 2011 and 2012

As at 31 March 2011	Acquisition costs (millions of Yen)	Accumulated depreciation (millions of Yen)	Carrying amount (millions of Yen)
Buildings	660	579	81
Furniture and fixtures	909	759	149
Software	208	181	27
Total	1,779	1,520	258

As at 31 March 2012	Acquisition costs (millions of Yen)	Accumulated depreciation (millions of Yen)	Carrying amount (millions of Yen)
Buildings	**660**	**608**	**52**
Furniture and fixtures	**193**	**173**	**20**
Software	**0**	**0**	**0**
Total	**855**	**782**	**73**

(b) Obligation balances under finance leases

	As at 31 March	
	2011 (millions of Yen)	**2012** (millions of Yen)
Due within one year	213	**76**
Due after one year	125	**49**
Total	339	**125**

Note: The above information included obligations under finance leases, which were not cancellable for sub-lease contracts.

(c) Lease payments, reversal of accumulated impairment losses, depreciation, interest expenses and impairment losses:

	As at 31 March	
	2011 (millions of Yen)	**2012** (millions of Yen)
Lease payments	1,076	**226**
Reversal of accumulated impairment losses	295	**—**
Depreciation	976	**182**
Interest expenses	27	**11**
Impairment losses	295	**—**

(d) Depreciation method

Leased assets were depreciated by using the straight-line method over the lease terms with a residual value of zero.

(e) Calculation of interest expenses

The difference between total lease payments and the acquisition cost was assumed to be interest expense and the interest method was used to allocate interest expense to each year.

2. Operating lease

Future lease payments on operating lease contracts, which were not cancellable:

	As at 31 March	
	2011 (millions of Yen)	**2012** (millions of Yen)
Due within one year	0	**—**
Due after one year	—	**—**
Total	0	**—**

LESSOR

1. Net investments in leases

	As at 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
Leases receivable	9,373	5,188
Estimated residual values	14	—
Unearned interest income	(413)	(172)
Investment in leases, current	8,974	5,016

2. Maturity analysis for leases receivable for finance leases that transfer ownership of the leased assets to the lessee

As at 31 March 2011	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Leases receivable (millions of Yen)	2,650	2,029	1,374	1,010	500	—
Investments in leases (millions of Yen)	2,403	2,110	1,899	1,770	1,150	39

As at 31 March 2012	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Leases receivable (millions of Yen)	2,933	2,270	1,912	1,430	604	—
Investments in leases (millions of Yen)	1,607	1,418	1,294	823	45	—

3. Future lease payments to be received under operating leases, which were not cancellable

	As at 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
Within one year	0	—
Over one year	—	—
Total	0	—

4. Leases receivable and lease investment assets, and lease obligations under a sublease transaction recorded at cost including the interest portion

(a) Leases receivable and lease investment assets

	As at 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
Current assets	5,665	2,770

(b) Lease obligation

	As at 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
Current liabilities	1,167	723
Non-current liabilities	3,984	1,990

XII. FINANCIAL INSTRUMENTS

1. Details of the financial instruments

(1) Group Policy for Financial Instruments

The Group engages in a wide range of finance-related businesses, such as investment business, fund management business, securities business, leasing business, loan business, credit card business and insurance businesses, to avoid excessive concentration of risk on specific entities or businesses. To operate these businesses, the Group raises funds by indirect financing such as bank borrowing, direct financing such as bond issuance and equity financing, and transactions with securities financing companies. The Group also considers the market environment and maintains an appropriate strategy for short and long-term financing.

The Group and certain consolidated subsidiaries utilize derivative instruments, including foreign currency forward contracts, interest rate swaps, index futures, and foreign currency spot contracts.

The Group entered into foreign currency forward contracts and interest swap transactions primarily to hedge foreign exchange risk and to manage its interest rate exposures on borrowings, respectively. The Group does not hold or issue them for speculative purpose. Index futures and commodity futures were entered for the purpose of day trading or capping the size of their transactions. Index futures were mainly for daily trading under limited trading scales. Foreign currency spot contracts were entered into for managing the exposures on foreign currency brokerage transactions. The transactions were conducted with individually counterparties based on the Group's "Position Management Rule."

(2) Nature and Extent of Risks Arising from Financial Instruments

Financial assets held by the Group primarily consist of investment-related assets, securities-related assets and financing-related assets.

Investment-related assets include short-term investment securities, operational investment securities, and investment securities, which primarily represent investment in stocks and funds. These assets are held through the Company or certain consolidated subsidiaries (including the consolidated investment funds) of the Company for the purpose of fostering the development of venture capital portfolio companies or earning capital gains. These assets are exposed to the issuer's credit risk and the stock price fluctuation risk. Furthermore, unlisted equity securities are exposed to liquidity risk and investment assets denominated in foreign currency are exposed to the risk of exchange fluctuations.

Securities-related assets consist of trading instruments, margin transaction assets, short-term guarantee deposits and cash segregated as deposits. These assets are exposed to the credit risk and the interest rate risk of the brokerage customers of some of the consolidated subsidiaries, securities financing companies, and financial institutions.

Financing-related assets consist of operational loans receivable, leases receivable and lease investment assets and accounts receivable. These assets include real estate loans for domestic companies and individuals, unsecured personal loans, leases receivable and lease investment assets for operational companies and the receivable arising from the sales of the leasing business or credit card business. These assets are exposed to the interest rate risk and credit risk of accounts such as default due to worsening economic conditions with higher credit risk exposure.

Financial liabilities of the Group primarily consist of loans payable, bonds payable and securities-related liabilities. The loans payable of the Group are exposed to liquidity risk from changes in the pricing policy of the financial institutions to the Group. Also, the bonds payable are monitored due to liquidity risk from market conditions or reducing credit rating of the Group.

Securities-related liabilities consist of margin transaction liabilities, loans payable secured by securities on repurchase agreement transactions, guarantee deposits received from margin transactions, and deposits from customers. The financing environment of the security business operated by the Group's certain subsidiaries is affected by the business policy of security financing companies and their investment strategy. The Group exercises control by matching the financing with the related security assets.

The Group enters into foreign currency forward contracts and interest swap transactions primarily to hedge foreign exchange risk associated with receivables, payables and securities denominated in foreign currencies and to manage its interest rate exposures on borrowings, respectively.

The Group manages index futures as a part of investment business which is exposed to market risk. Because the counterparties of foreign currency forward contracts and interest rate swap agreements are limited to creditworthy major Japanese financial institutions and index futures are traded in the public market, the credit risk arising from default is considered to be minimal.

The Group also enters into foreign currency spot contracts in the course of ordinary operations, and for hedging risks arising from the business. The transactions are subject to interest rate risks and foreign currency risks as well as exposed to credit risks with customers and credit and settlement risks with counterparties.

(3) Risk Management System over Financial Instruments

In order to maintain financial strength and appropriate operational procedures, the Company has risk management policies to identify, analyze and manage the relevant risks integrally. The management policies for credit risk, market risk, and liquidity risk are as follows:

Credit risk management

(a) Accurately analyze financial conditions of investees/debtors and quantity of relevant credit risk.
(b) Appropriately manage the Group's own capital and the related risks by periodic monitoring.
(c) Under foreign investments or lending transaction, the Group identifies intrinsic risk of investees/debtors through with domestic/foreign offices as well as overseas partners followed by periodic monitoring.
(d) Recognize investment risk as significant risk to be controlled among various credit risks and perform detailed analysis of fluctuation in risk associated with operational investment securities.

Market risk management

(a) Understand underlying currency and term of assets and quantify market risk.
(b) Appropriately manage the balance between the Group's own capital and its related risk by periodic monitoring.
(c) Never enter into derivative transactions for speculative purposes in absence of established operating rules.

Liquidity risk management

(a) Secure various financing arrangements such as bank overdraft facility, bond issuance registration or stock issuance.
(b) Collect information on the Group's working capital requirement and understand the cash flow positions.
(c) Obtain reports from the department responsible for cash management based upon the liquidity risk management policies stated in (a) and (b) above to monitor cash flow risks.

Under these policies, the Company assigns a risk management officer who is in charge of risk management and sets up a risk management department in line with the risk management rules and the Group's risk control rules in order to properly analyze and control these risks. The risk management department analyzes and monitors the Group's risk on a timely basis.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on the quoted market price. If the quoted market price is not available, fair values are calculated with valuation techniques which are considered to be reasonable. As the fair value determination takes variable factors into consideration, such fair values may fluctuate by using different assumptions. Please see section "XIV. DERIVATIVE CONTRACTS" for the details of fair value of derivatives.

2. Fair value of financial instruments

The tables below presents the carrying amounts, the fair value of the financial instruments, and the difference between the carrying amounts and fair value as at 31 March 2011 and 2012.

The tables below do not include assets and liabilities which cannot be measured at fair value due to difficulties in determining fair value (refer to Note 2).

	As at 31 March 2011			As at 31 March 2012		
	Carrying amount (millions of Yen)	Fair value (millions of Yen)	Difference (millions of Yen)	Carrying amount (millions of Yen)	Fair value (millions of Yen)	Difference (millions of Yen)
(1) Cash and deposits	150,268	150,268	—	146,055	146,055	—
(2) Notes and accounts receivable—trade	10,658	10,549	(108)	11,106	11,038	(68)
(3) Leases receivable and lease investment assets	16,166	16,300	134	13,829	13,903	73
(4) Short-term investment securities, operational investment securities and investment securities						
Available-for-sale securities	60,546	60,546	—	58,918	58,918	—
Securities in affiliates	5,068	3,314	(1,753)	5,165	3,417	(1,747)
(5) Cash segregated as deposits	347,865	347,865	—	663,065	663,065	—
(6) Operational loans receivable	27,905			42,281		
Allowance for doubtful accounts (*1)	(896)			(548)		
	27,009	28,322	1,312	41,732	42,754	1,021
(7) Trading instruments						
Trading securities	222	222	—	296	296	—
(8) Margin transaction assets	250,399	250,399	—	260,048	260,048	—
(9) Short-term guarantee deposits	5,235	5,235	—	16,800	16,800	—
Assets, total	873,441	873,025	(415)	1,217,019	1,216,298	(720)
(1) Short-term loans payable	97,164	97,164	—	103,915	103,915	—
(2) Accrued income taxes	4,574	4,574	—	4,875	4,875	—
(3) Margin transaction liabilities	143,757	143,757	—	170,800	170,800	—
(4) Loans payable secured by securities	61,797	61,797	—	76,592	76,592	—
(5) Guarantee deposits received	309,134	309,134	—	289,405	289,405	—
(6) Deposits from customers	37,819	37,819	—	347,952	347,952	—
(7) Bonds payable (*2)	70,600	70,600	—	90,540	91,038	498
(8) Long-term loans payable (*3)	43,514	43,537	22	36,654	36,491	(163)
Liabilities, total	768,362	768,385	22	1,120,736	1,121,072	335
Derivatives (*4)	2,367	2,367	—	1,191	1,191	—

Notes: (*1) Includes general reserve and specific reserve for operational loans receivable.
(*2) Includes current-portion of bonds payable.
(*3) Includes current-portion of long-term loans payable.
(*4) Receivables and payables arising from derivative transactions are stated at net value in the tables above.

NOTES:

(1) Calculation of fair value of financial instruments, investment securities and derivatives

(a) Assets

(i) (1) Cash and deposits, (5) Cash segregated as deposits, and (9) Short-term guarantee deposits

The fair values are measured at the carrying values as they approximate the carrying values because of their short maturities.

(ii) (2) Notes and accounts receivable—trade

With respect to notes and accounts receivable with short maturities, fair values are measured at the carrying values as they approximate the carrying values.

The fair values of receivables settled over long-term periods such as installment sales receivable are measured at the present value of the future cash inflow discounted at the discount rate considering government risk-free rates and credit risk rates.

(iii) (3) Leases receivable and lease investment assets

The fair values of leases receivable and lease investment assets are measured at the present value of the future cash inflow discounted at the discount rate considering government risk-free rates and credit risk rates.

(iv) (4) Short-term investment securities, operational investment securities and investment securities and (7) Trading instruments

The fair values of equity securities are measured at the quoted market price of the stock exchange. The fair values of bonds are measured at the quoted market price of the stock exchange or the quoted price provided by financial institutions. The fair values of investment trusts are measured at the price quoted by financial institutions. The fair values of investments in funds are measured at the fair values of partnership net assets based on the Group's percentage of share in the contributed capital, if such fair values are available. Unlisted available-for-sale securities held by certain overseas subsidiaries adopting International Financial Reporting Standards are measured at fair value.

(v) (6) Operational loans receivable

The fair values of operational loans receivable are measured at the present value of the future cash inflows, which are classified into different types of receivables and discounted at the rate determined by reference to an appropriate index such as a government bond yield adjusted with relevant credit risk.

As the estimated credit losses are provided based on the individual assessment of recoverability of loans receivable held by certain consolidated subsidiaries with corporate restructuring business, the fair values are measured at the carrying values less allowance for doubtful accounts since they approximate the measured values.

(vi) (8) Margin transaction assets

With respect to receivables from customers of margin transaction assets, the fair values are measured at the carrying value as the interest rates of the loans are floating rates and reflect the market interest rate within a short period so that, unless the borrower's credit condition changes significantly, the fair values are considered to approximate the carrying value.

Of these receivables, the fair values of those without set maturity dates due to certain conditions, such as the placing of a cap on the amount of loans which does not exceed the value of pledged assets, are measured at the carrying value. Based on the expected repayment term and the terms of interest, the fair values are considered to approximate the carrying values. With respect to cash collateral pledged for securities borrowings on margin transactions, the fair values are measured at the carrying value because of their short maturities.

(b) Liabilities

The fair values of liabilities other than (7) Bonds payable and (8) Long-term loans payable are measured at the carrying values as they approximate the carrying values because of their short maturities.

(i) (7) Bonds payable

With respect to bonds payable with floating interest rates, the fair values are measured at the carrying value as the interest rates of the debt reflect the market interest rate within a short period and as the credit condition of companies that obtained the debt are not expected to change significantly.

With respect to bonds payable with fixed interest rates, the fair values are measured at the present value of the future cash outflows considering the remaining periods and the discount rate adjusted with credit risks.

With respect to bonds payable with maturity of within one year, the fair values are measured at the carrying values as they approximate the carrying values because of their short maturities.

(ii) (8) Long-term loans payable

With respect to long-term loans payable with floating interest rates, the fair values are measured at the carrying value as the interest rates of the debt reflect the market interest rate within a short period and as the credit conditions of consolidated subsidiaries that obtained the debt are not expected to change significantly.

With respect to long-term loans payable with fixed interest rates, the fair values are measured at the present value of the future cash outflows, where the sum of principal and interest at certain intervals, or the sum of principal and interest determined using interest swap rates for which the special hedge accounting treatment is used, is discounted at the discount rate that may be applicable for similar types of debt.

(c) Derivatives

The information of the fair value for derivatives is included in section "XIV. DERIVARTIVE CONTRACTS."

(2) The following securities were stated at cost because the fair values could not be reliably determined. They were excluded from "Assets-(iv) (4) Short-term investment securities, operational investment securities and investment securities" of "Fair value of financial instruments."

As at 31 March 2011

Classification	Carrying amount (millions of Yen)
Available-for-sale securities	
Non-fair valued equity securities (*1)	82,363
Non-fair valued bonds	
Convertible bonds with stock acquisition rights (*2)	2,200
Investments in funds (*3)	6,032
Stock acquisition rights (*2)	946
Total	91,543

Classification	Carrying amount (millions of Yen)
Investments in subsidiaries and affiliates	
Unlisted equity securities (*1)	38,043
Investments in funds (*3)	351
Total	38,395

As at 31 March 2012

Classification	Carrying amount (millions of Yen)
Available-for-sale securities	
Non-fair valued equity securities (*1)	**89,670**
Non-fair valued bonds	
Convertible bonds with stock acquisition rights (*2)	**1,941**
Investments in funds (*3)	**7,161**
Stock acquisition rights (*2)	**943**
Total	**99,716**

Classification	Carrying amount (millions of Yen)
Investments in subsidiaries and affiliates	
Unlisted equity securities (*1)	**45,554**
Investments in funds (*3)	**366**
Total	**45,921**

(*1) Unlisted equity securities were excluded from the fair value disclosure as there was no market value and it was extremely difficult to measure the fair value.
(*2) Convertible bonds with stock acquisition rights were excluded from the fair value disclosure as there was no market value and it was extremely difficult to estimate the future cash flow as a basis of fair value.
(*3) Investments in funds whose investments were mainly composed of unlisted equity securities were excluded from the fair value disclosure as it was extremely difficult to measure the fair value of unlisted equity.

(3) Maturity analysis for financial assets and securities with contractual maturities

(millions of Yen)

As at 31 March 2011	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Cash and deposits	150,268	—	—	—	—	—
Notes and accounts receivable—trade	9,090	847	394	189	135	0
Short-term investment securities, operational investment securities and investment securities with maturity dates						
Debt securities (corporate bonds)	207	50	1,442	—	—	—
Cash segregated as deposits	347,865	—	—	—	—	—
Operational loans receivable	18,420	2,538	2,471	773	956	2,744
Margin transaction assets	250,399	—	—	—	—	—
Short-term guarantee deposits	5,235	—	—	—	—	—
Total	781,487	3,436	4,308	963	1,092	2,745

(millions of Yen)

As at 31 March 2012	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Cash and deposits	146,055	—	—	—	—	—
Notes and accounts receivable—trade	8,798	989	541	327	168	281
Short-term investment securities, operational investment securities and investment securities with maturity dates						
Debt securities (corporate bonds)	262	276	1,408	—	—	—
Cash segregated as deposits	663,065	—	—	—	—	—
Operational loans receivable	34,350	2,272	1,331	938	896	2,491
Margin transaction assets	260,048	—	—	—	—	—
Short-term guarantee deposits	16,800	—	—	—	—	—
Total	1,129,382	3,538	3,280	1,265	1,064	2,772

(*) Maturities of leases receivable and lease investment assets after the balance sheet date are described in the "Notes to lease transactions for the consolidated financial statements."

(4) Maturity analysis for long-term loans payable and other interest-bearing debt after the balance sheet date

(millions of Yen)

As at 31 March 2011	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans payable	97,164	—	—	—	—	—
Margin transaction liabilities						
Borrowings on margin transactions	70,386	—	—	—	—	—
Bonds payable (including current portion)	70,060	60	60	60	60	300
Long-term loans payable	12,147	18,315	4,918	1,065	6,700	365
Total	249,758	18,375	4,978	1,125	6,760	665

(millions of Yen)

As at 31 March 2012	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans payable	103,915	—	—	—	—	—
Margin transaction liabilities						
Borrowings on margin transactions	76,007	—	—	—	—	—
Bonds payable (including current portion)	60,060	60	30,060	60	60	240
Long-term loans payable	19,888	2,936	6,161	6,970	697	—
Total	259,871	2,996	36,221	7,030	757	240

XIII. SECURITIES

For the year ended 31 March 2011

1. Trading instruments

Valuation losses of ¥14 million were included in income for the year ended 31 March 2011.

2. Available-for-sale securities with fair values

	Type	Carrying amount (millions of Yen)	Acquisition costs (millions of Yen)	Difference (millions of Yen)
Carrying amount exceeds acquisition cost	(1) Equity securities	6,430	4,633	1,797
	(2) Debt securities			
	Corporate bonds	52	50	2
	(3) Others	9,143	5,554	3,588
	Sub-total	15,626	10,238	5,388
Carrying amount does not exceed acquisition cost	(1) Equity securities	104,008	113,662	(9,654)
	(2) Debt securities			
	Corporate bonds	3,851	3,851	—
	(3) Others	28,603	29,333	(730)
	Sub-total	136,463	146,847	(10,384)
Total		152,090	157,085	(4,995)

3. Available-for-sale securities sold during the year

Securities	Proceeds from sales (millions of Yen)	Gains on sales (millions of Yen)	Losses on sales (millions of Yen)
(1) Equity securities	11,888	6,199	967
(2) Debt securities			
Corporate bonds	6	1	—
Others	—	—	—
(3) Others	—	—	—
Total	11,895	6,200	967

4. Impairment loss on securities

As impairment loss on equity securities of ¥2,174 million (¥1,858 million on available-for-sale securities and ¥315 million on investments in subsidiaries and affiliates) was recorded during the year 2011.

For the year ended 31 March 2012

1. Trading instruments

Valuation gains of ¥12 million were included in income for the year ended 31 March 2012.

2. Available-for-sale securities with fair values

	Type	Carrying amount (millions of Yen)	Acquisition costs (millions of Yen)	Difference (millions of Yen)
Carrying amount exceeds acquisition cost	(1) Equity securities	3,835	2,336	1,498
	(2) Debt securities			
	Corporate bonds	50	50	0
	(3) Others	11,731	8,029	3,701
	Sub-total	15,617	10,416	5,200
Carrying amount does not exceed acquisition cost	(1) Equity securities	117,678	119,754	(2,075)
	(2) Debt securities			
	Corporate bonds	3,837	3,838	(1)
	(3) Others	21,501	22,586	(1,084)
	Sub-total	143,017	146,179	(3,162)
Total		158,634	156,595	2,038

3. Available-for-sale securities sold during the year

Securities	Proceeds from sales (millions of Yen)	Gains on sales (millions of Yen)	Losses on sales (millions of Yen)
(1) Equity securities	30,234	19,648	1,902
(2) Debt securities			
Corporate bonds	664	—	28
Others	—	—	—
(3) Others	848	1	—
Total	31,748	19,649	1,931

4. Impairment loss on securities

As impairment loss on equity securities of ¥4,032 million (¥4,032 million on available-for-sale securities) was recorded during the year 2012.

XIV. DERIVATIVE CONTRACTS

As at 31 March 2011 and 2012

1. Derivatives not subject to hedge accounting policy

(1) Foreign currency related

As at 31 March 2011

Type	Transaction	Contractual amounts (millions of Yen)	Over 1 year (millions of Yen)	Fair value (millions of Yen)	Valuation gains (losses) (millions of Yen)
Transactions outside market	Foreign currency forward contracts				
	Short	85	—	(0)	(0)
	Long	91	—	(0)	(0)
	Foreign currency spot contracts				
	Short	187,335	—	73	73
	Long	184,683	—	2,294	2,294
Total		—	—	2,367	2,367

As at 31 March 2012

Type	Transaction	Contractual amounts (millions of Yen)	Over 1 year (millions of Yen)	Fair value (millions of Yen)	Valuation gains (losses) (millions of Yen)
Transactions outside market	Foreign currency forward contracts				
	Short	59	—	0	0
	Long	138	—	(0)	(0)
	Foreign currency spot contracts				
	Short	276,916	—	(226)	(226)
	Long	275,697	—	1,422	1,422
Total		—	—	1,195	1,195

The fair value of foreign currency forward contracts was stated based on the future exchange rate at the balance sheet date, whereas the fair value of foreign currency spot contracts was based on the spot rate at the balance sheet date.

(2) Securities related

As at 31 March 2011

Type	Transaction	Contractual amounts (millions of Yen)	Over 1 year (millions of Yen)	Fair value (millions of Yen)	Valuation gains (losses) (millions of Yen)
Market transactions	Index futures				
	Short	68	—	(0)	(0)

As at 31 March 2012

Type	Transaction	Contractual amounts (millions of Yen)	Over 1 year (millions of Yen)	Fair value (millions of Yen)	Valuation gains (losses) (millions of Yen)
Market transactions	Index futures				
	Short	4	—	1	1
Transactions outside market	Option transaction				
	Long	27	—	7	7
Total		—	—	9	9

The fair value of index futures was based on the market closing price at the balance sheet date in each stock market.

2. Derivatives subject to hedge accounting

Hedge accounting method	Transaction	Hedged balance	Contract amounts (millions of Yen)	Over 1 year (millions of Yen)	Fair value (millions of Yen)
			As at 31 March 2011		
Deferred method of interest rate swap	Interest rate swaps Variable receipt fixed payment	Bonds payable	600	540	(14)
Interest rate swap	Interest rate swaps Variable receipt fixed payment	Long-term loans payable	5,480	3,460	(Note 2)

Hedge accounting method	Transaction	Hedged balance	Contract amounts (millions of Yen)	Over 1 year (millions of Yen)	Fair value (millions of Yen)
			As at 31 March 2012		
Deferred method of interest rate swap	Interest rate swaps Variable receipt fixed payment	Bonds payable	**540**	**480**	**(13)**
Interest rate swap	Interest rate swaps Variable receipt fixed payment	Long-term loans payable	**6,660**	**4,268**	**(Note 2)**

Note: 1. Fair values were measured at the quoted market price of the stock exchange or the quoted market price provided by financial institutions.
2. For certain loans payable for which interest rate swaps were used to hedge the interest rate fluctuations, the fair values of derivative financial instruments were included in the fair value of loans payable as hedged items.

XV. RETIREMENT BENEFITS

The Group has a contributory funded defined benefit pension plan and a defined contribution pension plan. Certain of the Group's domestic consolidated subsidiaries have tax-qualified plans, non-contributory funded defined pension plans and either a contributory funded defined benefit pension plan or a defined contribution pension plan for the employee's retirement plan.

1. Detail of the multi-employer plans for which the required contribution amounts were expensed as incurred (latest information)

(a) Total pension funding status:

Kanto IT Software Health Insurance Society

	As at 31 March 2010 (millions of Yen)	As at 31 March 2011 (millions of Yen)
Plan assets	161,054	**171,944**
Benefit obligation	159,998	**172,108**
Difference	1,055	**(163)**

Note: The latest available information one year before the closing date is presented above.

(b) The percentage of participants of the Group to the above pension plan:

	(As at 31 March 2010)	(As at 31 March 2011)
Kanto IT Software Health Insurance Society	1.10%	1.23%

Note: The latest available information one year before the closing date is presented above.

2. Liability for employees' retirement benefits

The following is related to the defined benefit pension plan and tax qualified pension plan for certain domestic consolidated subsidiaries.

	As at 31 March 2011 (millions of Yen)	As at 31 March 2012 (millions of Yen)
(a) Projected benefit obligations	(118)	**(19)**
(b) Fair value of plan assets	48	**2**
(c) Provision for retirement benefits ((a) + (b))	(69)	**(16)**

3. Retirement benefit expense

	Year ended 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
Contribution to pension funds (Note 1)	122	**131**
Service cost (Note 2)	41	**12**
Contributions to the defined contribution pension plan (Note 3)	292	**303**
Total	456	**447**

Notes: (1) Contribution amounted to multi-employer pension funds.
(2) Retirement benefit expense of certain domestic consolidated subsidiaries which applied the compendium method.
(3) Contribution to the defined benefit pension plan and prepayment to the pension plan.

4. Basis for calculation of retirement benefit obligation

Certain domestic subsidiaries, which apply either the defined benefit pension plan or tax-qualified pension plan, use the simplified method for the calculation of retirement obligation.

XVI. STOCK OPTION PLAN

Outlines and details of the stock option plan

Stock Option	Number of Options Outstanding	Date of Grant	Exercise Price	Exercise Period
2001 Stock Option	—	2002.2.1	¥19,117*1	From 20 December 2003 to 19 December 2011
2002 Stock Option (1)	12,427.44 shares	2002.12.20	¥ 5,502*1	From 20 December 2004 to 19 December 2012
2003 Stock Option (1)	21,025.04 shares	2003.9.25	¥16,436*1	From 20 December 2004 to 19 December 2012
2003 Stock Option (2)	59,137.81 shares	2003.9.25	¥16,436*1	From 24 June 2005 to 23 June 2013
2003 Stock Option (3)	16,618.77 shares	2003.10.23	¥25,422*1	From 24 June 2005 to 23 June 2013
2005 Stock Option (1)	22,984 shares	2005.7.28	¥32,246*1	From 28 July 2005 to 29 June 2013

*1 Due to the new stock issuance through an offering of Hong Kong Depositary Receipts, the exercise price and the number of objective stock were adjusted.

Stock Options Assumed by the Company due to Mergers and Acquisitions

Stock Option	Number of Options Outstanding	Date of Grant	Exercise Price	Exercise Period
E*TRADE Japan K.K. Stock Option	49,657.86 shares	2002.7.1	¥11,104*1	From 21 June 2004 to 20 June 2012
SBI HOME Planner Co., LTD. 2003 Stock Option	535.86 shares	2004.4.15	¥20,170*1	From 28 June 2005 to 27 June 2013
SBI Partners Co., Inc. 2005 Stock Option	596.20 shares	2005.11.29	¥34,080*1	From 1 December 2005 to 31 October 2013
FINANCE ALL CORPORATION 2002 Stock Option	1,840 shares	2002.9.25	¥ 4,465	From 25 September 2004 to 24 September 2012
FINANCE ALL CORPORATION 2003 Stock Option	5,080 shares	2003.8.2	¥ 4,465	From 2 August 2005 to 1 August 2013
WORLD NICHIEI Securities Co., LTD. 2003 Stock Option	172.50 shares	2003.7.15	¥15,989*1	From 1 July 2005 to 26 June 2013
WORLD NICHIEI FRONTIER Securities Co., LTD. 2004 Stock Option	18,667.95 shares	2004.6.29	¥46,122*1	From 30 June 2006 to 29 June 2014
WORLD NICHIEI FRONTIER Securities Co., LTD. 2004 Stock Option	34.50 shares	2004.12.22	¥29,338*1	From 30 June 2006 to 29 June 2014
SBI Securities Co., Ltd. 2005 Stock Option	18,211.40 shares	2005.7.4	¥43,164*1	From 30 June 2007 to 29 June 2015
SBIH (3) Stock Option	13,432.77 shares	2008.8.1	¥44,388*1	From 1 August 2008 to 23 June 2013
SBIH (4) Stock Option	1,666.08 shares	2008.8.1	¥51,954*1	From 1 August 2008 to 23 June 2013
Total	242,088.18 shares			

*1 Due to the new stock issuance through an offering of Hong Kong Depositary Receipts, the exercise price is adjusted.

Stock Options Issued by Consolidated Subsidiaries

Stock Option	Number of Options Outstanding (Non-vested)	Date of Grant	Exercise Price	Exercise Period
SBI Mortgage Co., Ltd.				
Stock Option (1)	47,000 shares (47,000 shares)	2005.5.25	¥ 750*2	From 26 May 2007 to 25 May 2015
SBI Life Living Co., Ltd.				
Stock Option (2)	19 shares	2005.8.29	¥100,000	From 30 August 2007 to 29 August 2015
Stock Option (3)	960 shares	2008.6.1	¥270,834	From 1 June 2008 to 31 March 2013*3
Total	979 shares			
SBI Biotech Co., Ltd.				
Stock Option (1)	620 shares (620 shares)	2002.10.15	¥ 5,000	30 months after 6 months passed from the IPO
Stock Option (2)	536 shares (536 shares)	2002.10.15	¥ 5,000	From 15 October 2004 to 31 August 2012
Stock Option (5)	90 shares (90 shares)	2005.9.28	¥175,000	From 29 September 2005 to 30 August 2015
Total	1,246 shares (1,246 shares)			
SBI VeriTrans Co., Ltd.				
2004 Stock Option	—	2004.2.13	¥ 5,741	From 13 February 2006 to 12 February 2014
Morningstar Japan K.K.				
2003 Stock Option (1)	2,368 shares	2003.11.5	¥ 57,500	From 20 March 2005 to 19 March 2013
2006 Stock Option (2)	250 shares	2006.4.21	¥133,500	From 24 March 2008 to 23 March 2016
Total	2,618 shares			
Gomez Consulting Co., Ltd.				
2003 Stock Option	—	2003.3.15	¥ 44,250	From 15 March 2005 to 14 March 2013
2005 Stock Option	—	2005.6.15	¥100,000	From 3 June 2007 to 2 June 2015
Total	—			
HOMEOSTYLE, Inc.*4				
Warrant (1)	—	2002.4.5	¥ 9,636	From 1 June 2002 to 12 March 2012
Warrant (2)	—	2004.8.24	¥ 9,636	From 1 June 2002 to 12 March 2012
TK International Co., Ltd.				
Stock Option (the stock option which was taken over by HOMEOSTYLE, Inc. due to the M&A)	—	2004.7.2	¥ 11,903	From 6 July 2006 to 30 June 2014
Stock Option (3)	—	2005.2.28	¥ 16,000	From 1 March 2007 to 24 February 2015
Stock Option (4)	—	2006.3.31	¥ 19,000	From 1 April 2008 to 25 March 2016
Total	—			

Stock Option	Number of Options Outstanding (Non-vested)	Date of Grant	Exercise Price	Exercise Period
Autoc one K.K.				
Stock Option (1)	5,850 shares (5,850 shares)	2002.12.27	¥ 10,000	From 1 November 2004 to 30 September 2012
Stock Option (3)	1,200 shares (1,200 shares)	2004.10.29	¥ 50,000	From 1 August 2006 to 31 May 2014
Stock Option (4)	200 shares (200 shares)	2005.2.25	¥ 50,000	From 1 August 2006 to 31 May 2014
Stock Option (5)	100 shares (100 shares)	2005.4.20	¥ 50,000	From 1 August 2006 to 31 May 2014
Stock Option (6)	50 shares (50 shares)	2005.4.20	¥ 50,000	From 1 August 2006 to 31 May 2014
Stock Option (7)	990 shares (990 shares)	2006.4.20	¥ 50,000	From 28 June 2007 to 27 June 2015
Stock Option (8)	10 shares (10 shares)	2008.3.28	¥ 60,000	From 29 June 2010 to 28 June 2017
Total	8,400 shares (8,400 shares)			
SBI Trade Win Tech Co., Ltd.				
Warrant (2)	1,000 shares (1,000 shares)	2000.10.20	¥ 50,000	From 1 January 2001 to 16 April 2012
Warrant (3)	320 shares (320 shares)	2002.4.17	¥460,000	From 18 April 2002 to 16 April 2012
Total	1,320 shares (1,320 shares)			
Shinsai Partners Inc.				
Stock Option (1)	674 shares (674 shares)	2006.8.1	¥ 50,000	From 2 August 2008 to 15 July 2016
Stock Option (2)	20 shares (20 shares)	2006.9.30	¥ 50,000	From 1 October 2008 to 15 July 2016
Stock Option (3)	90 shares (90 shares)	2006.9.30	¥ 50,000	From 1 October 2008 to 18 September 2016
Total	784 shares (784 shares)			

*2 The exercise price is adjusted to those after 1 for 10 stock split as at 30 June 2011.
*3 The exercise period is adjusted to 31 March 2016 in accordance with the board resolution on 22 June 2012.
*4 All the shares of HOMEOSTYLE, Inc. held by the Company have been sold during the year ended 31 March 2012.

The stock option activity for the years ended 31 March 2011 and 2012 was as follows:

	SBI Holdings, Inc. (Shares)	SBI Mortgage Co., Ltd. (Shares)	SBI Life Living Co., Ltd. (Shares)	SBI Biotech Co., Ltd. (Shares)
Year Ended 31 March 2011				
Non-vested:				
31 March 2010—outstanding		47,000*2		1,246
Granted				
Cancelled				
Vested				
31 March 2011—outstanding		47,000*2		1,246
Vested:				
31 March 2010—outstanding	320,323.77		979	
Vested				
Exercised	49,737.50			
Cancelled	16,668.03			
31 March 2011—outstanding	253,918.24		979	
Year Ended 31 March 2012				
Non-vested:				
31 March 2011—outstanding		47,000*2		1,246
Granted				
Cancelled				
Vested				
31 March 2012—outstanding		**47,000***2		**1,246**
Vested:				
31 March 2011—outstanding	257,322.34*1		979	
Vested				
Exercised	**360.00**			
Cancelled	**14,874.16**			
31 March 2012—outstanding	**242,088.18**		**979**	

*1 Due to the new stock issuance through an offering of Hong Kong Depositary Receipts, the number of objective stock were adjusted, therefore, the adjustments were reflected in the number at the beginning balance of the period ended 31 March 2012.

*2 The number of options outstanding is adjusted to that after 1 for 10 stock split as at 30 June 2011.

	SBI VeriTrans Co., Ltd. (Shares)	Morningstar Japan K.K. (Shares)	Gomez Consulting Co., Ltd. (Shares)	HOMEOSTYLE, Inc.*3 (Shares)
Year Ended 31 March 2011				
Non-vested:				
31 March 2010—outstanding				18,864
Granted				
Cancelled				607
Vested				
31 March 2011—outstanding				18,257
Vested:				
31 March 2010—outstanding	516	2,954	704	
Vested				
Exercised	180		370	
Cancelled		336		
31 March 2011—outstanding	336	2,618	334	
Year Ended 31 March 2012				
Non-vested:				
31 March 2011—outstanding				18,257
Granted				
Cancelled				**1,107**
Vested				
31 March 2012—outstanding				**—***3
Vested:				
31 March 2011—outstanding	336	2,618	334	
Vested				
Exercised	**336**		**40**	
Cancelled			**294**	
31 March 2012—outstanding	**—**	**2,618**	**—**	

*3 All the shares of HOMEOSTYLE, Inc. held by the Company have been sold during the year ended 31 March 2012.

	Autoc one K.K. (Shares)	SBI Trade Win Tech Co., Ltd. (Shares)	Shinsai Partners Inc.*4 (Shares)
Year Ended 31 March 2011			
Non-vested:			
31 March 2010—outstanding	8,800	1,320	
Granted			
Cancelled	320		
Vested			
31 March 2011—outstanding	8,480	1,320	
Vested:			
31 March 2010—outstanding			
Vested			
Exercised			
Cancelled			
31 March 2011—outstanding			
Year Ended 31 March 2012			
Non-vested:			
31 March 2011—outstanding	8,480	1,320	—
Granted			
Cancelled	**80**		
Vested			
31 March 2012—outstanding	**8,400**	**1,320**	**784***4
Vested:			
31 March 2011—outstanding			
Vested			
Exercised			
Cancelled			
31 March 2012—outstanding			

*4 Shinsai Partners Inc. has been included in the scope of consolidation from the year ended 31 March 2012.

XVII. NOTES TO INCOME TAXES

1. Major components of the deferred tax assets and liabilities

	Year ended 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
Deferred tax assets—Current		
Losses on valuation of investment securities (current assets)	2,807	**1,305**
Provision of allowance for investment losses (current assets)	1,809	**1,094**
Tax loss carried forward	1,523	**3,296**
Accrued enterprise taxes	471	**457**
Elimination of unrealized profit	8,550	**2,406**
Others	459	**2,159**
Subtotal	15,622	**10,720**
Valuation allowance	(1,284)	**(1,623)**
Total deferred tax assets—Current	14,337	**9,097**
Deferred tax assets (investment and other assets)		
Tax loss carried forward	16,644	**17,337**
Provision of allowance for doubtful accounts	1,799	**1,733**
Losses on valuation of investment securities (non-current assets)	4,034	**3,433**
Statutory reserve for financial products transaction liabilities	2,209	**1,931**
Elimination of unrealized profit	743	**8,302**
Others	1,985	**2,282**
Subtotal	27,415	**35,021**
Valuation allowance	(13,837)	**(19,455)**
Total deferred tax assets (investment and other assets)	13,578	**15,566**
Total deferred tax assets	27,916	**24,663**
Deferred tax liabilities—Current		
Unrealized gains on available-for-sale securities	(3,313)	**(1,719)**
Total deferred tax liabilities—Current	(3,313)	**(1,719)**
Deferred tax liabilities—Non-current		
Unrealized gains on available-for-sale securities	(998)	**(345)**
Others	(173)	**(119)**
Total deferred tax liabilities—Non-current	(1,172)	**(464)**
Total deferred tax liabilities	(4,486)	**(2,184)**
Net deferred tax assets	23,429	**22,479**

2. Reconciliation between the normal effective statutory tax rate and the actual effective tax rate

	Year ended 31 March	
	2011	2012
Normal effective tax rate	40.69%	**40.69%**
Expenses not deductible for income taxes purposes (Entertainment expenses, etc.)	1.49%	**3.03%**
Amortization of goodwill	64.17%	**18.24%**
Minority interests in fund, etc.	(39.43)%	**(7.46)%**
Income of the equity method	(1.23)%	**(5.90)%**
Consolidated adjustments of loss on sale of consolidated subsidiaries	(33.05)%	**(6.80)%**
Change in valuation allowance	96.03%	**10.53%**
Decrease of net deferred tax assets due to the change of the future tax rate	—	**12.88%**
Others—net	1.93%	**2.70%**
Actual effective tax rate	130.60%	**67.91%**

3. Impact from the change of the income tax rate

"Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and "Act on Special Measures for Securing the Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011) were newly promulgated on 2 December 2011. These reform acts reduce the effective tax rate used for the calculation of deferred tax assets and liabilities from 40.69% to 38.01% and 35.64% for those temporary differences expected to reverse within the three fiscal years beginning on or after 1 April 2012 and for the fiscal years beginning on or after 1 April 2015, respectively. The Tax Reform also sets a ceiling on annual deductions for unused tax carry-forward losses to 80% of annual taxable income for the consolidated fiscal years beginning on or after 1 April 2012.

These changes lead to a decrease in net deferred tax assets of ¥2,265 million and an increase in income tax deferred of ¥2,260 million.

XVIII. BUSINESS COMBINATIONS

For the year ended 31 March 2012

Transaction under common control

Additional acquisition of stocks of SBI Net Systems Co., Ltd. (to becoming wholly owned subsidiary through a share exchange)

1. Overview of the transaction

(i) Name and business of the targeted company
Name of the targeted company: SBI Net Systems Co., Ltd.
Business nature: System development

(ii) Date of the business combination
1 February 2012

(iii) Details of legal form
SBI Net Systems Co., Ltd. will become a wholly owned subsidiary of the Company after the business combination through a stock exchange.

(iv) Company's name after business combination
No change occurred to the name of the company.

(v) Objective and outline of the transaction
After SBI Net Systems Co., Ltd. becomes a wholly owned subsidiary, the Group could highly improve the effectiveness and efficiency of its operation both domestically and overseas through integration of the subsidiary's know-how on system development. The share exchange was implemented as the business combination is believed to bring synergy in intensifying the Group's profitability and maximizing value of the whole group, so that all the shareholders, clients and business partners would benefit.

2. Applied accounting standard

The transaction was treated as a business combination under common control in accordance with the Accounting Standard for Business Divestitures (ASBJ Statement No. 21, 26 December 2008) and Guidance on Accounting Standard for Business Combination and Divestitures (ASBJ Guidance No. 10, 26 December 2008).

3. Additional acquisition of stocks of subsidiary

(i) Consideration and details

Consideration of acquisition	The Company's common shares	¥592 million
Direct acquisition cost	Advisory fee	¥ 2 million
Total consideration		¥594 million

(ii) Share exchange ratio according to stock types, its computation basis, granted stocks, and those valuations

Share exchange ratio	Type of shares: Common shares
The Company 1: SBI Net Systems 1.25	
Computation basis	The valuations were conducted by KPMG FAS Co., Ltd. on the Company's side and conducted by HIBIYA & Co. on SBI Net Systems Co., Ltd.'s side as independent sources for the share exchange. The share exchange ratio was determined based on the valuation reports from both parties.
Exchanged shares	149,330 shares (the Company allotted 74,621 shares of treasury stocks it owns and newly issued shares for the rest)

(iii) Amount of goodwill recognized, reason of its occurrence, and amortization method and period

Amount of goodwill recognized	¥424 million
Reason of occurrence	The Company recorded the difference between the consideration and decreasing amount of minority interests as goodwill.
Amortization method and period	Amortized over 20 years by using the straight-line method

Business transfer

Sale of Shares of SBI VeriTrans

(1) Summary of business transfer

(i) Name of the company to which the Company sold investments
Wheel, Inc. (Consolidated subsidiary of Digital Garage Inc.)

(ii) Business of company to which the Company sold investments
Settlement services, etc.
(iii) Date of business transfer
30 March 2012
(iv) Reason of business transfer
A main business segment of Digital Garage Inc. and its consolidated subsidiary (hereinafter referred to as "Digital Garage Group") is the integration of advertising/promotion functions with settlement services. In order for Digital Garage Group to further expand this core business (settlement function), the Group realized that the best option was to make SBI VeriTrans Co., Ltd. (which has an expanding settlement service business both in Japan and the rest of Asia), one of its subsidiaries, thus the Group transferred all its interest in SBI VeriTrans Co., Ltd. to Digital Garage Group.
(v) Other matters including the legal structure of the business separation
Transfer of shares by cash as consideration

(2) Summary of accounting treatment

(i) Gains or losses on the business transfer
Gains on sales of investment securities is ¥8,618 million.
(ii) Assets and liabilities in relation to the business transfer are as follows:

	(millions of Yen)
Current assets	9,139
Non-current assets	970
Total assets	10,110
Current liabilities	7,225
Non-current liabilities	11
Total liabilities	7,237

(iii) Reportable segment including business separated:
Financial service business
(iv) The approximate estimated amount of gain and loss recorded in the consolidated statements of operations of the current fiscal year related to the transferred business are as follows:

Net Sales (millions of Yen)	7,069
Ordinary income (millions of Yen)	895

XIX. SEGMENT INFORMATION

1. Overview of reportable segments

Separate financial information of the Group's components is available and reviewed regularly by the Board of Directors for the purposes of allocation of financial resources and performance evaluation.

The Group engages in a wide range of business activities, mainly the financial service business. Based on the similarities of economic characteristics of business or nature of services the "Asset Management Business," "Brokerage and Investment Banking Business," "Financial Services Business," and "Housing and Real Estate Business" are determined as reportable segments.

The "Asset Management Business" primarily consists of fund management and investment in internet technology, biotechnology, environment energy and finance-related venture companies.

The "Brokerage and Investment Banking Business" primarily consists of financial businesses, such as trustee of securities trading, underwriting and offering for sale of IPO shares, offering for subscription or sale of stocks, foreign currency spot contracts, and other financial instrument trading businesses.

The "Financial Services Business" primarily consists of finance-related businesses, such as property and casualty insurance business, credit card business and the provision of information regarding financial products.

The "Housing and Real Estate Business" primarily consists of developing and trading of investment property, financing business related to the granting of mortgage loans, operating websites related to the provision of intermediate service, comparison and real estate appraisal service.

2. Measurement of reportable segment profits or losses and segment assets

The accounting treatment of reportable segments is the same as that adopted in preparation of the consolidated financial statements.

The segment income is based on the operating income. The inter-segment revenue and amounts of transferring to other accounts are based on market price.

3. Information about reportable segments

Year ended 31 March 2011	Reportable segment: Asset Management Business (millions of Yen)	Reportable segment: Brokerage & Investment Banking Business (millions of Yen)	Reportable segment: Financial Services Business (millions of Yen)	Reportable segment: Housing and Real Estate Business (millions of Yen)	Sub-total (millions of Yen)	Others (Note) (millions of Yen)	Total (millions of Yen)
Net sales							
Revenue from customers	30,699	45,374	28,364	23,464	127,903	13,178	141,081
Inter-segment revenue	1	2,498	2,165	3	4,669	2,453	7,122
Total	30,701	47,873	30,530	23,467	132,573	15,631	148,204
Segment operating income (loss)	9,577	6,123	(536)	3,370	18,534	(1,832)	16,702
Segment assets	222,364	909,176	122,716	104,821	1,359,078	16,793	1,375,872
Other items							
Depreciation	50	2,734	1,277	439	4,502	479	4,982
Amortization of goodwill	274	5,851	526	728	7,381	508	7,889
Investment in subsidiaries and affiliates applying the equity method	4,146	2,062	25,661	—	31,870	238	32,109
Increase in property and equipment, intangible assets	685	3,196	4,020	538	8,440	482	8,923

Note: Business segments classified into "Others" are segment not determined as reportable segments which consist of system-related business, drug discovery business and garment business.

Year ended 31 March 2012	Reportable segment: Asset Management Business (millions of Yen)	Reportable segment: Brokerage & Investment Banking Business (millions of Yen)	Reportable segment: Financial Services Business (millions of Yen)	Reportable segment: Housing and Real Estate Business (millions of Yen)	Sub-total (millions of Yen)	Others (Note) (millions of Yen)	Total (millions of Yen)
Net sales							
Revenue from customers	34,566	41,485	41,001	22,463	139,517	5,557	145,074
Inter-segment revenue	0	2,297	2,352	2	4,652	3,142	7,794
Total	34,566	43,783	43,354	22,466	144,169	8,699	152,869
Segment operating income (loss)	14,183	3,607	(2,640)	3,383	18,533	(3,348)	15,185
Segment assets	244,449	1,220,172	133,623	118,400	1,716,646	20,429	1,737,075
Other items							
Depreciation	54	3,464	1,444	587	5,550	559	6,109
Amortization of goodwill	251	5,851	517	741	7,361	505	7,866
Investment in subsidiaries and affiliates applying the equity method	4,623	4,829	30,671	—	40,124	121	40,246
Increase in property and equipment, intangible assets	61	4,043	3,882	601	8,588	7,302	15,890

Note: Business segments classified into "Others" are segment not determined as reportable segments which consist of system-related business and drug-discovery business.

4. Reconciliation of the differenc between the total amount of reportable segments and the total amount recorded in the consolidated financial statements:

Net sales	For the years ended 31 March 2011 (millions of Yen)	2012 (millions of Yen)
Total of reportable segments	132,573	**144,169**
Net sales of "Others"	15,631	**8,699**
Elimination among segments	(7,122)	**(7,794)**
Net sales on the consolidated financial statements	141,081	**145,074**

Operating income	For the years ended 31 March 2011 (millions of Yen)	2012 (millions of Yen)
Total of reportable segments	18,534	**18,533**
Losses of "Others"	(1,832)	**(3,348)**
Elimination among segments	(1,765)	**(1,728)**
Headquarters expenses (Note)	(6,004)	**(5,881)**
Operating income on the consolidated financial statements	8,932	**7,575**

Note: Headquarters expenses are general administrative expenses which are not attributable to reportable segments.

Assets	For the years ended 31 March 2011 (millions of Yen)	2012 (millions of Yen)
Total of reportable segments	1,359,078	**1,716,646**
Assets of "Others"	16,793	**20,429**
Elimination among segments	(94,348)	**(90,694)**
Headquarters assets (Note)	12,082	**17,433**
Assets on the consolidated financial statements	1,293,606	**1,663,814**

Note: Headquarters assets are principally cash and deposits.

For the years ended 31 March

	2011 (millions of Yen)				2012 (millions of Yen)			
Other items	Total of reportable segments	Others	Amount of adjustment	Total on the consolidated financial statements	Total of reportable segments	Others	Amount of adjustment	Total on the consolidated financial statements
Depreciation	4,502	479	399	5,381	**5,550**	**559**	**346**	**6,456**
Amortization of goodwill	7,381	508	—	7,889	**7,361**	**505**	**—**	**7,866**
Investment in subsidiaries and affiliates applying the equity method	31,870	238	—	32,109	**40,124**	**121**	**—**	**40,246**
Increase in property and equipment, intangible assets	8,440	482	202	9,125	**8,588**	**7,302**	**832**	**16,723**

5. Impairment losses in each reportable segment for the years ended 31 March:

Impairment losses	2011 (millions of Yen)	2012 (millions of Yen)
Asset Management Business	—	**—**
Brokerage & Investment Banking Business	350	**—**
Financial Services Business	150	**105**
Housing and Real Estate Business	—	**128**
Others (Note)	360	**—**
Headquarters expenses and elimination among segments	—	**—**
Total	861	**233**

Note: "Others" consists of healthcare related business.

6. Balance of goodwill in each segment as at 31 March:

Goodwill	2011 (millions of Yen)	2012 (millions of Yen)
Asset Management Business	4,603	**4,342**
Brokerage & Investment Banking Business	97,878	**91,777**
Financial Services Business	6,144	**6,087**
Housing and Real Estate Business	10,953	**10,629**
Others (Note)	6,717	**9,574**
Headquarters expenses and elimination among segments	—	**—**
Total	126,297	**122,410**

Note: "Others" consists of system-related business, drug discovery business and garment business.

7. Geographical information

(1) Net sales

For the year ended 31 March 2011

Japan (millions of Yen)	Asia (millions of Yen)	Others (millions of Yen)	Total (millions of Yen)
117,237	**22,984**	**859**	**141,081**

Note: Net sales were classified into countries or regions according to customer location.

For the year ended 31 March 2012

Net sales of the Company and consolidated domestic subsidiaries exceeded 90% of the total net sales for the year ended 31 March 2012. Therefore, geographical information regarding net sales for the year ended 31 March 2012 is not presented herein.

(2) Property and equipment

Property and equipment of the Company and consolidated domestic subsidiaries exceeded 90% of the total assets as at 31 March 2011 and 2012 in the consolidated balance sheet. Therefore, geographical segment information is not presented herein.

8. Information of major customers

There was no major customer which accounted for more than 10% of the total net sales.

XX. RELATED PARTY TRANSACTIONS

1. Transactions with the executives and main individual shareholders of the Group

For the year ended 31 March 2011

Type	Name	Address	Capital (millions of Yen)	Business or position	Ownership (%)	Transaction description	Contents	Amounts (millions of Yen)	Account name	Balance (millions of Yen)
Director	Yoshitaka Kitao	—	—	The Company's Representative director and CEO	(Ownership by the related party) Direct 1.6	Sales of equity securities	Sales of investment securities	999	—	—

Note: Terms of transactions and policy for the terms

(1) The sales price was determined in consideration of the price of transaction with an independent third party. The payment term was a one-time cash disbursement.

For the year ended 31 March 2012

There were no transactions with the executives and main individual shareholders of the Group in the year ended 31 March 2012.

2. Significant affiliate information

Summarized financial information of SBI Sumishin Net Bank, Ltd., which was a significant affiliate for the years ended 31 March 2011 and 2012, is as follows:

	As at 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
Total assets	1,696,189	2,378,386
Total liabilities	1,654,961	2,334,983
Net assets	41,227	43,403
Ordinary income	29,054	34,616
Income before income taxes	3,534	5,611
Net income	3,528	5,165

XXI. NOTES TO PER SHARE INFORMATION

	Year ended 31 March	
	2011	2012
	(Yen)	(Yen)
Net assets per share	19,610.64	18,489.18
Net income per share	236.09	145.58
Diluted net income per share	225.74	140.64

Notes:

1. Basis of calculation for net assets per share

	Year ended 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
Total net assets	456,982	468,579
– Stock acquisition rights	(11)	(10)
– Minority interest	(66,142)	(61,636)
Total deducted amount from net assets	(66,154)	(61,646)
Net assets attributable to common shareholders at the end of the year	390,828	406,932
The number of common shares outstanding at the end of the year	19,929,397	22,009,210

2. Basis of calculation for net income (loss) and diluted net income per share

	Year ended 31 March	
	2011	2012
	(millions of Yen)	(millions of Yen)
Net income per share		
Net income for the year	4,534	3,200
Net income not attributable to common shareholders	—	—
Net income attributable to common shareholders	4,534	3,200
Average number of common shares outstanding during the year	19,207,974	21,986,056
Diluted net income per share		
Adjustment to net income for the year	(194)	(107)
Effect of dilutive shares issued by consolidated subsidiaries	(194)	(107)
Increase in number of common shares	20,501	5,247
Increased by exercising acquisition right	20,501	5,247

3. Overview of stocks with potential dilutive effect excluded from the calculation

For the year ended 31 March 2011: Stock acquisition rights issued by the stock option plan (Potential shares: 184,464 shares)

For the year ended 31 March 2012: Stock acquisition rights issued by the stock option plan (Potential shares: 222,740 shares)

XXII. INFORMATION FOR THE SCOPE OF CONSOLIDATION

For the year ended 31 March 2012

(1) Number of consolidated subsidiaries: 118

Names of main consolidated subsidiaries are listed in Section of Corporate Information

As compared with the year ended 31 March 2011, there were 29 additions to and 23 exclusions from the scope of consolidation.

- Additions—20 entities were newly established or acquired

—SBI China Co., Ltd.
—SBI-R&D Investment LPS
—SBI PHOENIX No. 1 Investment LPS
—SBI Value Up Fund No. 2 Investment Limited Partnership
—Shinsai Partners Inc. and 15 other entities

- Additions—9 entities were newly consolidated due to the increased significance of the respective entities

—SBI Hong Kong Holdings Co., Limited (SBI Hong Kong Co., Limited changed its name to SBI Hong Kong Holdings Co., Limited on 9 March 2012.)
—SBI Royal Securities Plc. (SBI Phnom Penh Securities Co., Ltd. changed its name to SBI Phnom Penh Securities Plc. on 17 November 2011, and changed its name to SBI Royal Securities Plc. on 16 January 2012.)
—SBI Fund Bank Co., Ltd.
—SBI Remit Co., Ltd. and 5 other entities

- Exclusions—10 entities were deconsolidated due to mergers including:

—SBI Property Advisors Co., Ltd. and 9 other entities

- Exclusions—10 entities were deconsolidated due to share sales including:

—SBI VeriTrans Co., Ltd.
—HOMEOSTYLE, Inc. and 8 other entities

- Exclusions—3 entities were deconsolidated due to liquidations including:

—SBI Mezzanine Fund No. 1 LIMITED PARTNERSHIP and 2 other entities

(2) Name of main non-consolidated subsidiary and basis for exclusion from scope of consolidation

- Name of main non-consolidated subsidiary:

—Searchina Co., Ltd.

- Basis for exclusion from scope of consolidation

  Small size entities of which total assets, sales, and proportional share of net income and retained earnings are considered to be immaterial are excluded from consolidation.

(3) Name and number of entities not classified as subsidiaries despite the ownership of 50 percent or more of the voting power of the investees (venture capital investments) and basis for exclusion from scope of consolidation:

- Name of the entities:

—NARUMIYA INTERNATIONAL Co., Ltd. and 4 other entities.

- Basis for exclusion from scope of consolidation

  These investments were made with the purpose of fostering venture capital portfolio companies and the Group has no intention to control the entities.

XXIII. INFORMATION FOR THE SCOPE OF EQUITY METHOD APPLICATION

For the year ended 31 March 2012

(1) Number of non-consolidated subsidiaries subject to the equity method: 1

Name of the entity:

—SBI Japannext Co., Ltd.

(2) Number of affiliates accounted for using the equity method: 20

Name of main entities:

—SBI Sumishin Net Bank, Ltd.
—SOLXYZ Co., Ltd.
—SBI Investment KOREA Co., Ltd.

As compared with the year ended 31 March 2011, there were 13 additions to 1 exclusions from the scope of equity method application.

- Additions—Main affiliates for which the equity method is newly applied are as follows: They were newly incorporated or acquired during the current year.

—FPT Securities Joint Stock Company
—Commercial Bank <<Ob'edinennyi Investitsionnyi Bank>> (limited liability company)
—PT BNI SECURITIES
—CSJ-SBI Financial Media Co., Ltd.
—KLab Ventures Co., Ltd. (Startup Laboratory Co., Ltd. changed its company name to KLab Ventures Co., Ltd. on 15 February 2012.)
• Exclusion—1 affiliate of SBI VeriTrans Co., Ltd. was excluded from the scope of equity method application due to the share sales of SBI VeriTrans Co., Ltd.

(3) Name of main non-consolidated subsidiaries and affiliates that are not accounted for using the equity method and basis for not applying the equity method:

• Name of the entities:
—Searchina Co., Ltd.
—NEW HORIZON PARTNERS LTD.
• Basis for not applying the equity method
Small size entities of which proportional share of net income and retained earnings are considered to be immaterial individually and collectively are not accounted for using the equity method.

(4) Name of entities not classified as affiliates despite the ownership of 20 percent or more of the voting power of the investee but below 50 percent (venture capital investments) and basis for not applying the equity method:

• Name of main entities:
—Venture Revitalize Investment, Inc. and other 50 entities
• Basis for not applying the equity method
These investments were made with the purpose of fostering venture capital portfolio companies and the Group has no intention to exert influence over the entities.

XXIV. INFORMATION FOR DIFFERENT BALANCE SHEET DATES OF CONSOLIDATED SUBSIDIARIES

For the year ended 31 March 2012

Consolidated subsidiaries whose balance sheet dates differ from that of the reporting entity were as follows:
Consolidated subsidiaries whose balance sheet date is 31 December
—SBI Hong Kong Holdings Co., Limited. and 55 other entities (47 entities in 2011)
Consolidated subsidiaries whose balance sheet date is 30 November
—SBI Value Up Fund No. 1 Limited Partnership and 4 other entities (5 entities in 2011)
Consolidated subsidiaries whose balance sheet date is 30 September
—Softbank Internet Fund and 2 other entities (3 entities in 2011)
Consolidated subsidiaries whose balance sheet date is 31 August
—SBI BROADBAND CAPITAL Co., Ltd. and 1 other entity (3 entities in 2011)
Consolidated subsidiaries whose balance sheet date is 30 June
—SBI BROADBAND FUND No. 1 LIMITED PARTNERSHIP (2 entities in 2011)
Consolidated subsidiaries whose balance sheet date is 31 January
—SBI Mezzanine Fund No. 2 and 4 other entities (6 entities in 2011)

Consolidated financial statements are prepared using the financial information of these companies prepared for the purpose of consolidation as at the balance sheet date of the reporting entity.

XXV. EVENTS AFTER THE REPORTING PERIOD

Stock split, adoption of share unit system and partial amendment to the articles of incorporation

At the Company's 14th business year's shareholders meeting held on 28 June 2012, the adoption of a share unit system and partial amendment to the articles of incorporation were resolved.

In addition, at the Board of Directors' meeting held on 26 April 2012, the implementation of a stock split was resolved subject to the above shareholder's approval on the partial amendment to the articles of incorporation.

1. The purpose of the stock split, adoption of a share unit system and the partial amendment to the articles of incorporation

Based on the requests from the Japanese Stock Exchanges Conference to define the trading unit at 100 or 1,000 shares, the Company determined to adopt a share unit system and prescribed the share unit as 100 shares.

Since the Tokyo Stock Exchange set the preferable range of investment at ¥50,000 or more and less than ¥500,000 in accordance with Article 445 of the Listing Rule, the Company determined to conduct a 10 for 1 stock split to meet the aforementioned range considering the recent stock price.

2. The outline of the stock split

The stock split will be conducted at the rate of 10 shares for each outstanding share based on the shareholders registered as at 30 September 2012.

3. The adoption of a share unit system

Share units will be prescribed as 100 shares.

The adoption of a share unit and stock split would result in holders of shares with less than a unit. The Company will establish a system to enable shareholders with less than one share to demand the Company to purchase their shares that are less than one unit or to sell the shares to make the shares into a unit effective from on or after 1 October 2012.

4. The effective date of the stock split and the adoption of the share unit

The effective date of the stock split and the adoption of the share unit will be on 1 October 2012.

If the above stock split was conducted at the beginning of the year ended 31 March 2011, the per share information for the year ended 31 March 2011 and 2012 would have been as follows:

	Year ended 31 March	
	2011	**2012**
	(Yen)	(Yen)
Net assets per share	1,961.06	**1,848.92**
Net income per share	23.61	**14.56**
Diluted net income per share	22.57	**14.06**

XXVI. CONSOLIDATED SUPPLEMENTARY SCHEDULES

For the year ended 31 March 2012

1. Supplementary schedules of bonds payable

Company name	Description	Issuance date	Balance as at prior year end (millions of Yen)	Balance as at current year end (millions of Yen)	Interest rate (%)	Collateral	Redemption date
SBI Holdings, Inc.	Japanese yen straight bond (Note 2)	May 2010 to December 2011	70,000	60,000 (60,000)	1.66–1.90	None	May 2011 to December 2012
SBI Holdings, Inc.	No. 4 Unsecured straight bond	30 January 2012	—	30,000	2.16	None	30 January 2015
SBI Life Living Co., Ltd.	No. 1 Unsecured straight bond (Note 3)	30 December 2010	600	540 (60)	TIBOR +0.1	Bank guarantee	30 December 2020
Total			70,600	90,540 (60,060)			

Notes:

(1) Amounts in brackets represent redemption amounts within one year from the balance sheet date.

(2) Total amounts of straight bond in Japanese Yen issued based on the Euro medium-term note program are stated above.

(3) Collateral is provided for the bank guarantee.

(4) Annual maturities of long-term bonds payable including the current portion as at 31 March 2012 for the next five years are as follows:

Within one year (millions of Yen)	1 to 2 years (millions of Yen)	2 to 3 years (millions of Yen)	3 to 4 years (millions of Yen)	4 to 5 years (millions of Yen)
60,060	**60**	**30,060**	**60**	**60**

2. Supplementary schedules of loans payable and others

Description	Balance as at prior year end (millions of Yen)	Balance as at current year end (millions of Yen)	Average interest rate (%)	Repayment date
Short-term loans payable	97,164	103,915	1.18	—
Current portion of long-term loans payable	12,147	19,888	1.41	—
Current portion of lease obligation	2,114	1,799	—	—
Long-term loans payable (excluding current portion)	31,366	16,765	2.02	March 2013 to February 2017
Lease obligation (excluding current portion)	6,506	4,185	—	May 2013 to August 2017
Other interest bearing debt				
Borrowings on margin transactions	70,386	76,007	0.77	—
Total	219,685	222,562		

Notes:

(1) Average interest rates were calculated using the weighted-average interest rate based on year-end borrowing balances.

(2) Average interest rate on lease obligation is not stated since the part of lease obligation on the balance sheet includes interest portion of minimum lease payments.

(3) Annual maturities of long-term loans payable and lease obligation, excluding the current portion, as at 31 March 2012 for the next five years are as follows:

	1 to 2 years (millions of Yen)	2 to 3 years (millions of Yen)	3 to 4 years (millions of Yen)	4 to 5 years (millions of Yen)
Long-term loans payable	2,936	6,161	6,970	697
Lease obligation	1,784	1,447	812	137

3. Supplementary schedules of the asset retirement obligation

As the amounts of the asset retirement obligation as at 31 March 2011 and 2012 were less than 1% of total liabilities and net assets, the breakdown of the asset retirement obligation was omitted in accordance with Article 92–2 of the Consolidated Financial Statements Rule.

1. Matters relating to the basic framework for internal control over financial reporting

Management, with the participation of Yoshitaka Kitao, Representative Director, and Shumpei Morita, Chief Financial Officer, is responsible for the design and operation of the internal control over financial reporting prepared by SBI Holdings, Inc. (the "Company"). The Company's internal control over financial reporting of the consolidated financial statements is designed and operated effectively in accordance with the basic framework of internal control set forth in the report "On the Revision of the Standards and Practice Standards for Management Assessment and Audit Concerning Internal Control Over Financial Reporting (Council Opinions)" issued by the Business Accounting Council.

Internal control may not necessarily respond to unexpected changes in internal or external environments when controls were designed for non-routine transactions. Internal control cannot provide absolute assurance with respect to the achievement of objectives, which can prevent or detect misstatements, due to the following inherent limitations, but it aims at achieving the objectives to a reasonable extent with the organized and integrated function of individual components as a whole.

2. Matters relating to the scope of assessment, the basic date of assessment and the assessment procedures

The assessment of internal control over financial reporting was performed as of March 31, 2012, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material impact on our entire financial reporting in a consolidation ("company-level controls"). Based on that, we appropriately selected business processes to be evaluated. When we assessed internal controls of the selected business processes, we analyzed them and identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

The scope of evaluation for internal control over financial reporting was adequately set from the perspective of the degree of quantitative and qualitative impact on the reliability of financial reporting presentation and disclosure. Therefore, based on the results of assessment of company-level controls of 30 subsidiaries and affiliates (including 1 equity-method affiliate) which represent all the significant locations or business units, in principle, management determined the reasonable scope of assessment. Management eliminated subsidiaries or affiliates from the scope of assessment that were found to have little relevance of the degree of quantitative and qualitative impact on the reliability of financial reporting.

When evaluating process-level controls, based on the effectiveness of company-level controls, we selected significant locations or business units. Specifically, the significant locations or business units are selected in descending order of total assets until their combined amount reaches approximately two-thirds of the total consolidated assets. In the significant locations and business units selected, all business processes which impact the accounts that are closely associated with the Company's business objectives are included in the scope. Further, not only at selected significant locations and business units but also at other locations and business units, we added to the scope of assessment, as business processes having greater materiality considering their impact on the financial reporting. The accounts within the scope are "Net sales," "Cost of sales," "Cash segregated as deposits," "Operational investment securities," "Real estate inventories," "Trading instruments," "Margin transaction assets," "Investment securities," "Deposits from customers," "Margin transaction liabilities," "Guarantee deposits received," and so on.

3. Matters relating to the results of the assessment

As a result of the assessment described above, we concluded that the Company's internal control over financial reporting was effective as of the end of this fiscal year.

4. Supplementary Information

Not applicable

5. Special Information

Not applicable

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Japan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of SBI Holdings, Inc.:

We have audited the accompanying consolidated financial statements of SBI Holdings, Inc. and its consolidated subsidiaries (collectively referred to as the "Group") which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at March 31, 2012, and their financial performance and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Deloitte Touche Tohmatsu LLC

June 28, 2012

Member of
Deloitte Touche Tohmatsu Limited

The SBI Group (Principal Group Companies)

SBI Holdings, Inc. TSE First Section SEHK Main Board

Financial Services Business

A diversified line of financial services

❶ SBI FINANCIAL SERVICES Co., Ltd.
Control and management of the Financial Services Business 100.0%

- **❶ SBI SECURITIES Co., Ltd.**
  Comprehensive online securities company 100.0%
  - **❶ SBI Benefit Systems Co., Ltd.**
    Services for defined-benefit pension plans 87.0%
- **❶ SBI MONEY PLAZA Co., Ltd.**
  "Face-to-face" shops that provide financial products 100.0%
- **❶ SBI Liquidity Market Co., Ltd.**
  Provision of market infrastructure to supply liquidity to FX margin trading 100.0%
  - **❶ SBI FXTRADE Co., Ltd.**
    Pure-play FX broker 100.0%

❷ SBI Japannext Co., Ltd.
Operation of PTS (Proprietary Trading System) 47.4%

❶ SBI Social Lending Co., Ltd.
Loan and social lending operations 100.0%

❶ SBI Remit Co., Ltd.
International remittance business 100.0%

❶ SBI Credit Co., Ltd.
Auto loans business, planning and sales of financial products 94.6%

❶ SBI AutoSupport Co., Ltd.
Provision of financial services through used car dealers, etc. 70.0%

❶ Autoc one K.K.
Internet support service for purchasing automobiles 53.2%

Financial Services Business (Business Divisions of SBI Holdings, Inc.)
Operation of financial product comparison, search and estimate websites

❶ Morningstar Japan K.K. JASDAQ
Rating information for investment trust, others 49.3%

- **❶ Morningstar Asset Management Co., Ltd.**
  Investment advisory services, others 100.0%

❶ SBI Fund Bank Co., Ltd.
Planning services associated with investment trusts 100.0%

❷ Strategic Consulting Group, Inc.
Financial advisory services 44.4%

❶ Searchina Co., Ltd.
Operation of "Searchina," Japan's largest Chinese information website 99.1%

❷ CSJ-SBI Financial Media Co., Ltd.
Sino-Japanese economic and financial information services 43.0%

❶ SBI Net Systems Co., Ltd.
R&D and providing information security products 100.0%

❷ SBI-LG Systems Co., Ltd.
System-related business 49.0%

❷ SOLXYZ Co., Ltd. JASDAQ
Software development 26.3%

❶ SBI Business Solutions Co., Ltd.
Back office support services 78.7%

❶ SBI Insurance Co., Ltd.
Internet-based nonlife insurance company 86.5%

❶ SBI SSI Co., Ltd.
Small-amount short-term insurance policy businesses 95.0%

❷ SBI Sumishin Net Bank, Ltd.
Internet-based full service bank 50.0%

❶ SBI Mortgage Co., Ltd. KOSPI
Long-term, fixed-rate housing loans 66.5%

❶ CEM Corporation
Real estate secured loans 79.7%

❶ SBI Card Co., Ltd.
Credit card business 100.0%

❶ SBI Servicer Co., Ltd.
Management, purchase and recovery of receivables 100.0%

❶ SBI Lease Co., Ltd.
Comprehensive leasing business 100.0%

❶ SBI Business Support Co., Ltd.
Call center planning and operation, staffing 100.0%

❶ SBI Marketing Co., Ltd.
Advertising agent 99.0%

❶ SBI Royal Securities Plc.
A company to prepare for entering the securities business in Cambodia 71.0%

❷ PHNOM PENH COMMERCIAL BANK
Commercial banking services, etc., in Cambodia 40.0%

As of June 30, 2012 Note: Percentages are total holdings by the SBI Group
❶ Consolidated subsidiary ❷ Equity-method company/affiliated company

Asset Management Business

Fund management, investment advisory services, etc.

❶ SBI Capital Management Co., Ltd.
Control and management of the Asset Management Business 100.0%

❶ SBI Investment Co., Ltd.
Venture capital fund management 100.0%

❶ SBI CAPITAL Co., Ltd.
Buyout and value up fund management 100.0%

❶ SBI Capital Solutions Co., Ltd.
Mezzanine fund management 100.0%

❶ SBI Asset Management Co., Ltd.
Investment advisory services, investment trust management 100.0%

❶ SBI Arsnova Research, Co., Ltd.
Arrangement and management of alternative investments 99.0%

❶ SBI VEN CAPITAL PTE. LTD.
Overseas investments administration 100.0%

KOSDAQ
❷ SBI Investment KOREA Co., Ltd.
Venture capital in Korea 43.9%

Biotechnology-related Business

Development, manufacturing and sales of pharmaceuticals, cosmetics and health foods

❶ SBI ALA Hong Kong Co., Limited
Management of the 5-ALA related businesses 100.0%

❶ SBI Pharmaceuticals Co., Ltd.
Development, manufacturing and sales of cosmetics, health foods and pharmaceuticals using 5-ALA 76.1%

❶ SBI ALApromo Co., Ltd.
Manufacturing and sales of cosmetics and health foods using 5-ALA 100.0%

❶ SBI Biotech Co., Ltd.
R&D of pharmaceuticals 72.3%

❶ SBI Wellness Bank Co., Ltd.
Healthcare services for membership 99.0%

Others

Real Estate Business Division (SBI Holdings, Inc.)
Real estate investments, real estate development and operation of real estate investment funds

TSE Mothers
❶ SBI Life Living, Inc.
Development and sale of properties and operation of lifestyle-related websites 68.2%

❶ SBI Guarantee Co., Ltd.
Rent guarantees for rental housing 100.0%

Corporate History

1999	March	SOFTBANK CORP.'s Administrative Division spun off as an independent company, SOFTBANK FINANCE CORPORATION, as part of business reorganization accompanying the conversion of SOFTBANK CORP. into a pure holding company; SOFTBANK FINANCE CORPORATION becomes an operating holding company to oversee financial-related business activities
	July	SOFTBANK INVESTMENT CORPORATION (the Company) established under SOFTBANK FINANCE CORPORATION to undertake venture capital and incubation business
	November	Softbank Ventures, Inc. (currently SBI Investment Co., Ltd.) became a wholly owned consolidated subsidiary
2000	December	Listed on NASDAQ Japan (currently JASDAQ)
2001	April	SOFTBANK ASSET MANAGEMENT Co., Ltd. (currently SBI Asset Management Co., Ltd.) became a subsidiary
		SBI CAPITAL Co., Ltd. established
2002	February	Listed on First Section of Tokyo Stock Exchange
	November	Listed on First Section of Osaka Securities Exchange
2003	June	Merged with E*TRADE Japan K.K. and converted E*TRADE SECURITIES Co., Ltd. into a subsidiary; reorganization of business accelerates thereafter, with the Company positioned as the core company
	October	Acquired WORLD NICHIEI Securities Co., Ltd. (formerly SBI Securities Co., Ltd.) and converted this company into a subsidiary
2004	February	FINANCE ALL CORPORATION, and its subsidiaries GOODLOAN Co., Ltd. (currently SBI Mortgage Co., Ltd.) and WEB-Lease Co., Ltd. (currently SBI Lease Co., Ltd.) became subsidiaries
	July	Morningstar Japan K.K. became a subsidiary
	November	Listed subsidiary E*TRADE SECURITIES Co., Ltd. (currently SBI SECURITIES Co., Ltd.) on JASDAQ
2005	March	Percentage of equity shares held by SOFTBANK CORP. decreases due to a capital increase through a public offering; changed from a consolidated subsidiary to an equity-method affiliate
	July	Changed name to SBI Holdings, Inc. Transferred venture fund management business to SBI VENTURES K.K. (currently SBI Investment Co., Ltd.) and changed to a holding company structure
	October	Established a representative office in Beijing, China
2006	July	E*TRADE SECURITIES Co., Ltd. (currently SBI SECURITIES Co., Ltd.) changed its name to SBI E*TRADE SECURITIES Co., Ltd.
	August	A wholly owned subsidiary of SOFTBANK CORP. (majority shareholder) sold its shares in the Company, thereby the Company is no longer an equity-method affiliate of SOFTBANK CORP.
2007	February	Established a Singapore subsidiary, SBI VEN CAPITAL PTE. LTD.
	August	SBI Japannext Co., Ltd. began operations of Proprietary Trading System (PTS)
	September	LIVING Corporation, Inc. (currently SBI Life Living, Inc.) became a subsidiary
		SBI Sumishin Net Bank, Ltd. commenced business
	October	SBI E*TRADE SECURITIES Co., Ltd. (currently SBI SECURITIES Co., Ltd.) and former SBI Securities Co., Ltd. merged, with SBI E*TRADE SECURITIES Co., Ltd. as the surviving company
2008	January	SBI Insurance Co., Ltd. commenced business
	March	C4 Technology, Inc. (currently SBI Net Systems Co., Ltd.) became a subsidiary
	July	SBI E*TRADE SECURITIES Co., Ltd. changed its name to SBI SECURITIES Co., Ltd.
	November	SBI Liquidity Market Co., Ltd. started operations
	December	Hong Kong subsidiary SBI Hong Kong Co., Limited (currently SBI Hong Kong Holdings Co., Limited) commenced business
2010	April	Established a representative office in Shanghai, China
	July	Korea Technology Investment Corporation (currently SBI Investment KOREA Co., Ltd.), a South Korean company, became an equity-method affiliated company
	September	Established a representative office in Moscow, Russia
	October	Established a representative office in Hanoi, Vietnam
2011	April	Hong Kong Depositary Receipts of the Company's common shares listed on the Main Board of the Hong Kong Stock Exchange
	May	Established a representative office in Kuala Lumpur, Malaysia
2012	March	China business management company SBI (China) Co., Ltd., commenced business

Corporate Data

(As of March 31, 2012)

Company Outline

Company Name	SBI Holdings, Inc.
Date of Establishment	July 8, 1999
Head Office	Izumi Garden Tower 19F 1-6-1 Roppongi, Minato-ku Tokyo 106-6019 Japan
	Tel: +81 (3) 6229 0100
	Fax: +81 (3) 3224 1970

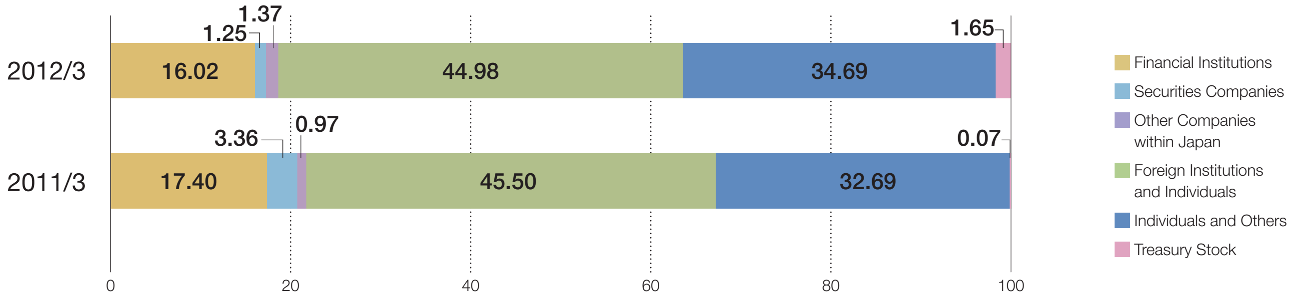
Number of Employees	3,149 (consolidated)
Paid-in Capital	¥81,664 million
Fiscal Year	April 1 to March 31

Stock Information

Listings	First Section of the Tokyo Stock Exchange First Section of the Osaka Securities Exchange Main Board of the Hong Kong Stock Exchange
Code	8473 (Tokyo Stock Exchange) 6488 (Hong Kong Stock Exchange)
Shares Authorized	34,169,000 shares
Shares Outstanding	22,451,303 shares
Shareholder Register	Mizuho Trust & Banking Co., Ltd.
Hong Kong Depositary Receipt (HDR) Custody Trust Institution	JPMorgan Chase Bank, N.A.

Principal Shareholders	**Name**	**Number of shares held (shares)**	**Percentage of total outstanding shares (%)**
	CBNY-ORBIS SICAV	2,081,057	9.26
	CBNY-ORBIS FUNDS	2,059,542	9.17
	Japan Trustee Services Bank, Ltd. (Trust account)	962,362	4.28
	The Master Trust Bank of Japan, Ltd. (Trust account)	578,208	2.57
	SAJAP	547,664	2.43
	THE CHASE MANHATTAN BANK, N. A. LONDON SECS LENDING OMNIBUS ACCOUNT	441,954	1.96
	CBHK-EQUITY TRUSTEES LIMITED AS RESPOSIBLE ENTITY FOR ORBIS GLOBAL EQUITY FUND (AUSTRALIA REGISTERED)	427,231	1.90
	SBI Holdings, Inc.	371,489	1.65
	Yoshitaka Kitao	364,088	1.62
	SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	266,751	1.18

Distribution of Ownership among Shareholders (%)



Website Directory

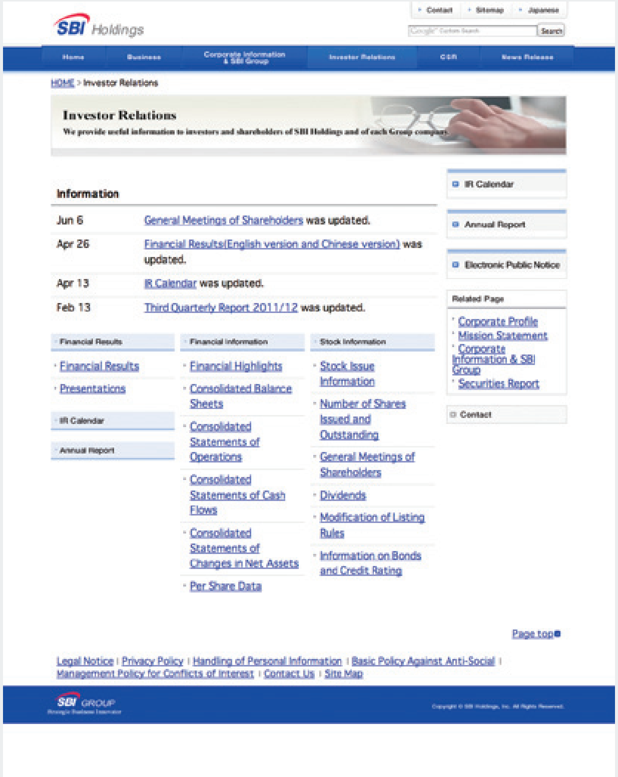
The SBI Group provides a variety of information on its website to allow all stakeholders to deepen their understanding of the Company.

SBI Holdings Website Top Page

http://www.sbigroup.co.jp/english/

Investor Relations

http://www.sbigroup.co.jp/english/investors/



News releases, financial results, presentation materials, streaming audios, annual reports, and other information are available.

Books of Yoshitaka Kitao, Representative Director, President & CEO

The Tailwind Behind Japan's Economy
Sankei Shinbun Syuppan Co., Ltd.
June 2012

Applying the "Analects of Confucius" in Business
Chichi Publication Co., Ltd.
May 2012

Yoshitaka Kitao's Management Dialogue
Kosaido Publishing Co., Ltd.
March 2012

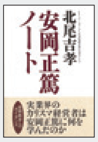
Understanding the Times
Keizaikai Co., Ltd.
November 2011

The Lessons of Shinzo Mori for Nurturing Human Fortitude
Chichi Publication
February 2011

Penetrating Insight
Keizai Co., Ltd.
November 2010

The Meaning of Life
Kodansha Ltd.
August 2010

Co-authored with Takeshi Natsuno



Notes on Masahiro Yasuoka
Chichi Publication
December 2009

Change Will Be, When Things Are at Their Worst
Keizaikai Co., Ltd.
October 2009

Yoshitaka Kitao's Business Management Lecture
KIGYOKA NETWORK
June 2009

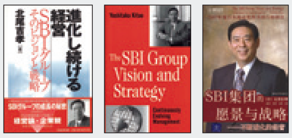
Think Big, Don't Be the Little Guy
Chichi Publication
January 2009

Reading the Times
Keizaikai Co., Ltd.
August 2008

Japanese Wisdom and Power
PHP Research Institute
(CN) Fudan University Press
April 2011

Proverbs of Sages and Renowned Executives Who Overcame Adversity
Asahi Shimbun Publication Inc.
(CN) Tsinghua University Press
December 2009

Why Do We Work?
Chichi Publication
(KR) Joongang Books
March 2007



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